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# FINANCIAL TIMES

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The crash: Paris  
sees the  
bright side, Page 2

## World News

## Business Summary

### Soviet envoy visits Iran as ceasefire effort stalls

A SENIOR Soviet envoy held talks in Tehran at the weekend amid indications that Iran has not given its definitive response to the appeal for a ceasefire made by Mr Javier Perez de Cuellar, the UN Secretary General. Efforts to bring an end to the fighting in Iran with UN Security Council resolution still appear deadlocked. Page 24

### More Malaysian arrests

Malaysian authorities arrested one of the country's most powerful media personalities and two church activists, bringing to 91 the number of people held in recent crackdowns. Page 4

### New premier for Syria

Syrian President Hafez al-Assad has accepted the resignation of long-serving Prime Minister Abdul Rauf al-Kassab and asked Parliament to elect a new government. Page 4

### Opposition in Dhaka

More than 150 people were injured in nationwide clashes with police as opposition forces staged demonstrations at government headquarters to increase pressure on Bangladesh President Hussain Mohammad Ershad to resign and hand over power to a neutral government by November 9. Page 3

### Sri Lanka protects MPs

Sri Lankan President J.R. Jayawardene is to allow the formation of a private defence force to protect members of his ruling UNP party. Page 6

### Chirac in Israel

Mr Jacques Chirac, the French Prime Minister, began a three-day official visit to Israel, marking the re-establishment of normal relations between the two countries after many years' estrangement. Page 4

### South Asian summit

Seven South Asian leaders representing a fifth of the world's population met in Kathmandu today for the third conference of the South Asian Association for Regional Cooperation. Page 4

### Tutu calls for truce

Archbishop Desmond Tutu pleaded for an end to the power struggle between the Zulu Inkatha movement and supporters of the United Democratic Front (UDF), as three more people died in continuing violence. Church groups say the violence has claimed at least 130 lives this year. Page 3

### E. Berlin eases rules

East Germany launched some of the measures agreed during East German leader Erich Honecker's visit to Bonn, including an easing of limits on importing printed matter. The procedure West Berliners must go through to visit the East will also be simplified. Page 2

### Protests in Madrid

Thousands of people held a demonstration in the centre of Madrid to demand that the Spanish Government renounce its five-year bilateral defence accord with the US. The peaceful demonstration was the second in a week. Page 2

### \$7.5m Ferruzzi ransom

A group which stole the body of Serafino Ferruzzi, founder of Italy's Ferruzzi group, from a cemetery in Ravenna are demanding \$7.5m (£5.5m) from the wealthy Ferruzzi family. Page 2

### Besques deported

Venezuela deported three alleged Basque terrorists to Spain after interrogation by the security police. The three had previously been expelled from France for alleged ties to the terrorist ETA organisation. Page 2

### Italian airport strikes

Strikes by ground staff at Italian airports prompted cancellation of dozens of flights at the weekend with further disruption planned for today. Page 2

### Italy budget rejected by Senate committee

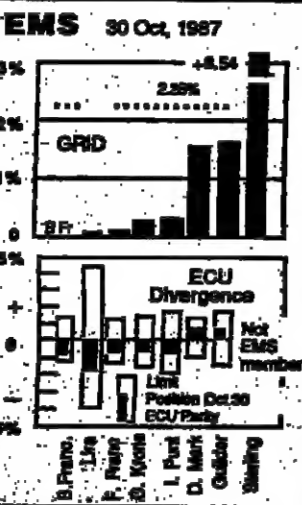
ITALIAN Government's 1988 budget legislation has been rejected by the Senate budget committee, which has suspended work on it and told the Administration led by Prime Minister Giovanni Goria to rewrite the proposal and impose a 10 per cent cut in public spending. Page 24

### THE EUROPEAN Monetary System will face a strong test

Belgian Finance Minister Mark Eyskens said yesterday that there would be a crucial test of the solidarity between central banks in the European Monetary System when the European Council meets in September to increase central bank co-operation. Page 24

### Central banks intervene to try to stem the D-Mark's strength

The Bundesbank allowed call money to fall sharply in Frankfurt, and is expected this week to cut the interest rate at which it provides money-market liquidity. Page 24



The chart shows the two constraints on European Monetary System exchange rates. The upper limit, based on the weakest currency in the system, defines the maximum rate for any currency (except the D-Mark) may move more than 2 1/4 per cent. The lower limit gives each currency's departure from the central rate. The D-Mark is the base currency. The chart shows the D-Mark's strength relative to other currencies.

TOKYO: The Nikkei index gained another 563.57 in Saturday's half-day session, closing at 23,325.1, the first time for six days that it had closed above 23,000. World Stock Markets, Page 43

US GOVERNMENT over-ruled a judge to approve a \$1.5bn merger between USAir and Piedmont to form the country's fifth largest domestic airline. Page 25

PARIS: Swiss holding company for the financial and industrial group led by Mr Albert Frick, the Swiss banker and former head of the French bank Paribas, booked consolidated net earnings of SF125m (\$97m) in the first half of 1987, an advance of just under 10 per cent on the same period last year. Net earnings per share were SF114.20 compared with SF108.70. Page 25

CHAPPELLE D'AREY: Control of the troubled French newspaper manufacturer is expected to change hands this week following the decision by Mr John Kille, the Dutch-Canadian industrialist who took control of the company three years ago, to abandon his 43 per cent stake in the group. Page 25

NORANDA, big Canadian resource and industrial group, said profits for the first nine months of 1987 have risen steeply to C\$221m or C\$1.36 a share on revenues of C\$5.4bn. Page 25

TELEFONICA NACIONAL de Espana, which has been forced to call off a major rights issue following the sharp decline in its share price, has increased net profits by 27 per cent for the first nine months. Page 25

## Gorbachev tries to calm differences among supporters

BY PATRICK COCKBURN IN MOSCOW

MR MIKHAIL Gorbachev, the Soviet leader, is working to reconcile growing differences among his closest supporters as he prepares to make the keynote speech today at the 70th anniversary of the Bolshevik Revolution.

Mr Gorbachev is attempting to prevent the resignation of Mr Boris Yeltsin, one of the most radical supporters of his attempts to restructure Soviet society. It was officially confirmed at the weekend that the Politburo and the Moscow City Communist Party, which Mr Yeltsin leads, will discuss his resignation offer as soon as the anniversary celebrations are over.

Mr Yeltsin's departure may be averted, however, by the fact that it would be seen as a victory for covert opponents of Mr Gorbachev's perestroika (restructuring) reform programme whom Mr Yeltsin accused of frustrating his efforts to improve conditions in Moscow.

Mr Yeltsin's offer to resign and his semi-public row with Mr Yegor Ligachev, Mr Gorbachev's Number Two, also underline a real division within the ranks of senior reformers who were completely united two years ago against the policies of Mr Leonid Brezhnev, the former Soviet leader. As the latter is removed, a new division has opened up between radical and cautious supporters of perestroika.

Mr Gorbachev may also argue that greater freedom to differ is now acceptable. Greater democracy within party and government bodies is also likely to be the theme of Mr Gorbachev's speech today, which will sum up the achievements and failures of the Soviet Union in the 70 years since the Bolsheviks took power in 1917.

Principle points of interest in the speech will be Mr Gorbachev's assessment of three of his predecessors as Soviet leader: Stalin, Khrushchev and Brezhnev. He may also publicly rehabilitate senior Bolshevik leaders such as Nikolai Bukharin, who was shot during the great Stalinist purges of 1937-38.

Judging by a new book by Mr

Gorbachev published at the weekend entitled "Perestroika and the New Thinking for Our Country and the World", the Soviet leader's assessment of Soviet history, particularly the key period from 1929-45, is likely to be positive.

On the failings of Soviet society today, Mr Gorbachev admits that a pre-crisis situation had developed in the late 1970s and early 1980s, but asserts that Soviet system has its own dynamic through which it can adapt to these problems.

But the difficulties in doing so - and the frustrations in doing so - have already been heavily underlined by Mr Yeltsin's offer to resign.

If his resignation is accepted, then the key question will be political complexion of his successor.

If he is much more conservative than Mr Yeltsin then this will be taken as a sign that the Moscow party leadership has been heavily underlined by Mr Yeltsin's offer to resign.

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Deng Xiaoping: will still be seen as the country's leader

## Deng triumphs over old guard critics of reform

BY ROBERT THOMSON IN BEIJING

DENG Xiaoping, the Chinese leader, and his reformist supporters secured a major triumph yesterday when more than 50 aged Communist Party Central Committee members were swept from office.

The full extent of the reformist victory will not be revealed until today when a new 20-member Politburo is appointed. But yesterday's wide-scale departures are the end of a long campaign by the reformers to introduce an orderly retirement system and to remove conservatives blocking the path of change.

The large number of resignations will instantly change the face of the country's senior leadership and ease the political pressure on younger officials trying to implement the economic reform programme.

Deng, himself aged 82, was among those to use the party's 13th congress to retire from both the Central Committee and the Politburo - which lost nine members in all - though it is clear that he will continue to be regarded by his comrades as the country's leader. He is also likely to remain chairman of the Central Military Commission, a critically important job which oversees the People's Liberation Army (PLA).

A party spokesman told a press conference yesterday that Deng's authority comes from the "correctness of his policies and ideas" and not from his titles, which, in theory, opens the way for other elderly officials to continue their involvement in politics despite their retirement.

That possibility is also raised by the fact that several senior conservatives have places on the Central Advisory Commission, away from the front line of party affairs, but still posts that will provide them with a forum for their views. Although more

than 80 officials went from the 300-member Central Committee, they have not all been replaced because it has been slimmed down to a 175-member body. It will meet today to select the Politburo.

The Central Discipline Inspection Committee, which has consistently produced reports highlighting negative aspects of reform, has been cut from 129 members to 69, and lost its chairman, Chen Yun, 82, a figurehead for conservative thought.

As well as the numbers, the names are a victory for Deng, as several outspoken critics of reform have been pensioned-off, including President Li Xiangnan, 82; Chen Yun, 82, a conservative economist who has been on the Politburo on and off since 1945; two cultural commissars, Hu Qiaomu, 75, and Deng Lihou, 72, both of whom had key roles in a campaign against Western influence this year; and Peng Zhen, 85, who was most prominent during the early weeks of that campaign.

The appointment of the new Politburo members and, in particular, the members of the Politburo Standing Committee, the party's five-member power elite, will be crucial in determining the long-term outlook for reform, as yesterday's resignations could be balanced by the elevation of several younger conservatives to key posts.

While the party claims that the new Central Committee was decided by a ballot at the 13th congress, which opened on October 25 and ended yesterday, the important leadership decisions were made long before the congress began and the 2,000 delegates were mostly go-

Long Marchers at rear's end, Page 3

Continued on Page 24

## Deep divisions slow effort to cut US budget deficit

BY STEWART FLEMING IN WASHINGTON

NEGOTIATIONS in Washington appear to be making only slow progress towards their goal of reducing the Federal budget deficit for 1988 by around \$20bn, against a background of continuing partisan wrangling from both sides of the political aisle.

After a week of talks between top members of the Reagan Administration and senior Democrats and Republicans in Capitol Hill, Mr Bill Gray, chairman of the House Budget Committee, said on Saturday: "I think we made some progress." He added that since the negotiations began on Tuesday both sides have "getting a little bit more pragmatic".

But there are still deep divisions about whether even the modest \$20bn of deficit reduction could be reached. Also, there is no evidence to suggest movement towards the multi-year deficit reduction package, which many on Wall Street are looking for as evidence that Washington is committed to a serious and continuing effort to prevent the \$148bn deficit re-

curred in 1987 from rising again in the 1988 fiscal year, which began last month.

Some in Washington fear that the improving tone on the Wall Street stock market at the end of last week will tend to reduce the pressure on the budget negotiators.

A new element could be injected into the talks this week by the Federal Reserve Board, whose Open Market Committee will meet tomorrow to chart the Fed's monetary policy over coming weeks. The Fed has been vigorously injecting money into the financial markets to try and maintain liquidity, and calm the turbulence after the plunge in share prices two weeks ago.

Fed Governor Wayne Angell indicated on Friday that he does not believe a decision should be made which would imply that the shift to easier money is long-term. It is a judgement which seems to suggest he at least would not favour a reduction in the Fed's discount rate to match the declines

in short-term market rates of the past two weeks.

Governor Angell told a House sub-committee that there is no hard evidence yet that the economy is beginning to slow as a result of the stock market turbulence, and he expressed reservations about letting the dollar fall freely in response to market pressures. Some in Washington are arguing that the Fed should begin to fight the threat of recession now, by maintaining its easier monetary stance and stimulating exports by letting the dollar drop sharply.

President Ronald Reagan in his weekly radio address on Saturday commented on the budget issue but only after first emphasising the importance he attaches to the confirmation of his nominee to the Supreme Court, Judge Douglas Ginsburg. On the deficit he stressed his determination to see spending cuts which "like diamonds must be forever".

Editorial comment, Page 25; Lex, Page 24

## Thatcher furious that Bank gets credit for BP package

BY PHILIP STEPHENS AND JOHN HUNT IN LONDON

A HEATED row over the allocation of credit between the UK Treasury and the Bank of England for last week's successful support package for the 27bn (\$20bn) sale of the Government's stake in BP continued to simmer last night.

Treasury and Government officials made it clear that Mr Nigel Lawson, the Chancellor of the Exchequer, and Mrs Margaret Thatcher, the Prime Minister, were still furious at media reports on Friday and Saturday which gave credit for the operation to the Bank.

The dispute over who originated the scheme to provide a "floor price" for the partly-paid BP shares when trading started on Friday appeared to suggest a serious rift between the Treasury and the Bank.

Mr Lawson, however, indicated that reports that the resource package had been imposed on him, he did not consider that they had undermined his relationship with Mr Robin Leigh-Pemberton, the Bank Governor.

The Bank, for its part, attempted to calm any tensions by emphasising that under the terms of the agreement between the Government and the BP underwriters it had been obliged to play a neutral role. It came to an independent conclusion which included the suggestion

### Brokers confident on London settlements

City of London brokers and stock exchange officials yesterday expressed confidence that the exchange's settlement system would cope with the normally daily despite big losses expected as traders settle accounts for the past two weeks of trading. Page 19

The Treasury should set a support price of 90p each for the shares.

A Bank spokesman said that it had completed its task on Thursday evening when it offered its assessment to both the Treasury and the underwriters. The subsequent decision to go ahead with the issue, with a support price of 70p, had been Mr Lawson's entirely.

The Treasury view yesterday, however, was that officials at the Bank appeared to have briefed journalists to the effect that Mr Lawson had taken on board its scheme and was now claiming the credit for it. The Chancellor was said to have been particularly outraged by a television news report which

appeared to indicate further he had only accepted the scheme after pressure from Mrs Thatcher.

Officials said that the idea of a floor price for the BP issue had been seriously discussed within the Treasury before the bank's assessment had been received. Obviously, however, they added that the Bank's view had arrived so late that, while it had been considered in line with the Treasury's legal obligations, it had not been relevant to the final decision.

The 90p support price would in any event have represented a bail-out of the underwriters, which was not acceptable to the Chancellor or to the Prime Minister. The lower support price, which permitted orderly trading, had saved the taxpayer considerable amounts.

As the almost unprecedented briefing and counter-briefing continued yesterday, however, the Bank denied that it had attempted to claim the credit. Confusion may have arisen because Mr Lawson's final package had been close to the Bank's independent judgement, but this did not preclude the possibility that the Treasury had been working on a similar scheme itself.

World news in turmoil, Page 2; UK asks to limit currency issues, Page 24.



## CUTTING A DASH TO PARIS: FROM THE HEART OF LONDON.

AIR FRANCE //

## Socialists in France accused on arms for Iran

By Paul Betts in Paris

FRANCE's opposition Socialist party has been accused of receiving funds from the illegal sale of arms to Iran by a French company between 1983 and 1986, with the alleged complicity of high-ranking Defence Ministry officials.

Leading Socialist officials were quick to deny any wrongdoing yesterday after the latest disclosures by two French weekly news magazines over what has been dubbed France's Irangate scandal.

They accused the political right of engineering the latest scandal as part of the increasingly bitter run-up to next spring's French presidential elections.

The latest disclosures are based on the findings of a confidential report on the Iranian arms sales by Mr Jean-Francois Barthe, the controller-general of the French armed forces. The magistrate investigating the illegal arms sales is now expected to seek the declassification of the report to enable its findings to be used by the judiciary.

The report allegedly claims that the military hierarchy at the time and senior members of the Defence Ministry, including Mr Jean-Francois Barthe, one of the closest advisers of Mr Charles Hernu, the former Socialist defence minister, were aware of the illegal arms sales. It also apparently claims that President Francois Mitterrand had been informed about the arms sales back in May 1984.

The affair, which came to light just before last year's legislative elections, involves the supply of some FF700m (\$115m) current worth of arms and ammunition to Iran by the Lucchini company between 1983 and 1986 despite a French Government embargo on such sales. A formal complaint for breaching the embargo was filed in March 1986, 10 days before the elections, by Mr Paul Quilès, the Socialist defence minister who replaced Mr Hernu after his resignation following the Greenpeace scandal.

But the latest revelations allege that about FF40m in commissions were paid as part of the illegal arms sales and that some of these commissions were paid to the Socialist Party. Moreover, the new disclosures appear to suggest that some of the explosives sold to Iran were similar to those used in last year's terrorist bombings in Paris.

Mr Hernu denied he had been involved in any illegal arms sales to Iran.

Soviet envoy in talks with Iranians, Page 24

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## OVERSEAS NEWS

## Israel cannot stop investors' panic

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI Government was compelled to pay out \$615m on Friday to the holders of bank shares guaranteed by the state after the Tel Aviv stock market crash of October 1983. Two thirds of the maturing shares were cashed in, despite strenuous efforts to persuade the public to hold on for a further two years.

Concern among small investors, panicked by the plunge in the Tel Aviv stock exchange the previous week, in line with world markets, prompted a larger than expected number to cash in their shares. If it had not been for this external influence, bankers estimate that the pay-out could have been held to under \$600m.

The silver lining for the Israeli economy was that a large percentage of the proceeds from the redeemed 'arrangement shares' were ploughed back into other, newly created pension schemes or else into other stocks. According to one senior figure from the regulatory authorities, these reinvestments had helped cushion the decline in the local market.

Under a new scheme unveiled by the financial authorities, those shares which were successfully recycled last week have become, in effect, tradable bonds, carrying a 9.5 per cent yield and maturing in two years' time.

Last week's pay-out represents the second stage of the commitments the Israeli government took upon itself four years ago, to prevent the impending collapse of the commercial banking system. Shares worth nearly \$7bn at their previous level were guaranteed at 104 per cent of their US dollar value for final redemption in October 1988. In October 1985, pensioners were permitted to cash in their holdings, resulting in the payment by the Treasury of \$22m.

The biggest challenge for the Bank of Israel will come in a year's time when, by current estimates, some \$2.7bn worth of shares will fall due for redemption. In contrast to the first two rounds, some two thirds of this amount is believed held by banks and other corporate investors.

## World Markets in Turmoil

## Paris sees bright side of crash

BY GEORGE GRAHAM IN PARIS

WHERE OTHERS talk of crash and crisis, the French Finance Ministry is cock-a-hoop about one aspect, at least, of the plunge in the stock market.

The market's turmoil has virtually killed the accusations of 'cronyism' that had built up over the selection by Mr Edouard Balladur, the Finance Minister, of friendly companies to form the 'hard core shareholders' of newly privatised companies.

With shares in most of the ten French companies privatised over the last nine months dropping to well below their flotation price, the offer of a place in the 'hard core', at a premium of 5 per cent or more to the price paid by ordinary shareholders, has not seemed such a gift.

In fact, the greatest gift of all may have been made to Mr Jack Frances of Groupe Victoire and Mr Jean-Marc Vernes of Beghin-Say, two names that would have been the 'cronyism' polemic if they had appeared in the hard core of Compagnie Financière de Suez, the just-privatised investment and banking group.

They are now free to buy stakes in the company at a level perhaps 10 per cent below the price of FF333.68 paid by the official hard core, and without the usual hard-core investor's



Balladur looks on sell-off

obligation not to sell for at least two years - when Mr Balladur finally allows the shares to be traded.

Already a different face has appeared in the policy of choosing a hard core as a defence against possible unfriendly shareholders. Other investors, not selected by the Minister, have taken the opportunity provided by the stock market's plunge to accumulate shares in a number of privatised companies, including the country's fourth largest bank,

Société Générale. Societe Generale acknowledges that there has been a 'broadening' of its hard core in the last few stock market trading sessions. A new shareholder with a stake of over 3 per cent is believed by dealers to have appeared on the stage.

In other cases, such as the television channel TF1 or the Banque du Batiment et des Travaux Publics, existing members of the hard core have decided to increase their stakes.

At the Finance Ministry, officials believe the acquisitions that have emerged so far have been positive, but executives at some of the privatised companies feel that the fragility of the hard core as a defence against hostile raiders has been shown up.

Mr Balladur has shown his sensitivity to questions of privatisation by immediately assuming the brakes on operations in progress. Unlike his British counterpart, Mr Nigel Lawson, he stopped the offer for sale of Matra, the defence and electronics group, five days before it was due to open, and has delayed the start of trading - originally set for last Thursday - in Suez, whose offer period had already ended before the stock market collapse two weeks ago.

This decision has clearly dis-

pleased Mr Renaud de la Geniere, Suez's chairman and former governor of the Bank of France, who would have preferred his company's shares to open at a substantial discount to the offer price rather than not to be traded at all.

It has also irritated many French investors who had wanted to unwind their Suez holdings as soon as they could, although bankers say that overseas investors have taken the delay calmly.

Finance Ministry officials are now considering whether it will be possible to add an option of partial payment in a bid to sweeten the pill for small investors, and potential voters, who are not accustomed to seeing privatisation shares open at a discount.

At Suez, executives are relieved that the Finance Ministry appears at least to have ruled out the possibility, briefly considered, of cancelling the entire operation. They hope dealing will be allowed to start on Tuesday or Wednesday - the Paris market is closed today for All Saints Day.

## West Germany rejects calls to boost economy

BY ANDREW FISHER IN FRANKFURT

THE West German Government yesterday rejected calls for further measures to stimulate its economy, with Mr Martin Bangemann, the Economics Minister, warning against overreaction to the dollar's slide.

He said there was no reason to bring forward or increase the tax cuts planned for next year and 1990. Nor did Germany need to bring down its key interest rates. However, short-term money market rates dropped sharply last week.

The reaffirmation of the Government's intention to sit tight during the turbulence on world markets followed a strong call last week for more positive action by one of the country's leading commercial bankers.

Mr Alfred Herrhausen, chairman of Deutsche Bank, the closely watched rate on the Bundesbank's securities repurchase deals, a method of commercial bank refinancing, is expected to fall again from the 3.50 per cent of two weeks ago. It was the earlier rise in this rate to 3.85 per cent that angered Mr James Baker, US Treasury Secretary, in mid-October.

The German contribution should include a clearer downward trend in interest rates and an advancing of the 1990 tax cuts or a further increase in those scheduled for 1988. He also argued for deregulation in the retail, transport and telecommunications sectors.

Mr Bangemann said that de-

spite the turmoil on world financial markets, the German economy would grow in real terms by between 2 and 2.5 per cent next year.

Today's autumn report from Germany's five leading economic research institutes is expected to forecast growth of around 2 per cent for next year with a weakening in the second half, after 1.75 per cent in 1987.

Although Mr Bangemann opposed cuts in key interest rates, the discount rate was cut to 3 per cent in January - the Bundesbank has nudged short-term rates lower in recent days by adding to market liquidity.

This week, therefore, the closely watched rate on the Bundesbank's securities repurchase deals, a method of commercial bank refinancing, is expected to fall again from the 3.50 per cent of two weeks ago. It was the earlier rise in this rate to 3.85 per cent that angered Mr James Baker, US Treasury Secretary, in mid-October.

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## Paris agrees to Northern Telecom investment plan

BY PAUL BETTS IN PARIS

THE FRENCH Government has given the green light to Northern Telecom, the Canadian telecommunications group, to invest in a telecommunications manufacturing plant and research centre in France.

The Canadian group's French investment plans had faced strong opposition from several French telecommunications groups including Matra, SAT and Jeumont-Schneider. The French companies argued that Northern Telecom's decision to manufacture in France private telephone exchanges and other systems for the French business market would put further pressure on an already crowded market.

However, Northern Telecom's

decision to set up its new manufacturing facility in the depressed industrial steel region of Lorraine clearly tilted the government on its side. Moreover, the Canadian company will also have two French partners as shareholders in its French venture.

The French venture will be 55 per cent controlled by Northern Telecom with Worms and Compagnie holding a 10 per cent stake and Compagnie Generale d'Industrie et de Participations, owning 35 per cent.

The investment represents Northern Telecom's efforts to develop a bigger presence in the European telecommunications market.

## Options trader takes over troubled Dutch jobber

BY LAURA RAUW IN AMSTERDAM

MELLEGER and Van Den Elsaker, the Dutch hoekman (jobber) that plunged into difficulties during the recent stock market crash, has been taken over by AOT, the Options Traders Association.

Dutch market maker in options. The acquisition of Van Den Elsaker, one of Amsterdam's biggest jobbing firms, involves about £1.16 million, including fresh capital for the beleaguered jobber, according to Mr

Jan Dreesen, general director of AOT. Melleger and Van Den Elsaker's membership in the Amsterdam stock exchange was withdrawn and it was forced to halt business on October 23 after credit was stopped by Kss

Associatie, the bank catering to the jobbing industry.

'The hoekman activities form a very important expansion for AOT, which until now has been limited to market making activ-

ties on the most international options exchange, including Amsterdam, London, Chicago, New York and Paris,' AOT said in a statement. All 10 of Melleger's employees are expected to

The acquisition will enable AOT to hedge its options position more actively on the bourse while allowing Melleger to do the same with op-

## Kidnappers issue warning to Irish police

A RENEGADE Irish nationalist terrorist who kidnapped a Dublin dentist said in a newspaper interview on Sunday that his captive would be killed if any of the kidnappers were injured by police, Reuters reports from Dublin.

The kidnapper, Mr John O'Grady, son-in-law of Mr Austin Darragh, the Irish millionaire, was seized from his luxury suburban home almost three weeks ago by four masked gunmen who demanded a £300,000 (£450,000) ransom.

The kidnapper, known as 'The Border Fox', contacted the Sunday Tribune newspaper to say that Mr O'Grady was alive and well and that he would soon be in touch with the family again about the ransom demand.

'The Border Fox' suspected by police of involvement in up to 30 murders, said attempts had also been made to reach him by a London-based firm which specialises in negotiating kidnapper ransoms.

Last Monday, the gang shot its way out of a police cordon thrown round an isolated cottage near Cork, southern Ireland, where they were hiding with their handcuffed victim in a truck container.

He said the kidnappers were all members of a breakaway group from the extremist Irish National Liberation Army (INLA), divided by bloody internal feuds this year.

They badly needed the ransom money to buy arms for their fight against the British in Northern Ireland, he added.

## Soviet editors detained by police

TWO editors of an independent Soviet magazine, launched to test the limits of Kremlin leader Mikhail Gorbachev's openness policy, were detained by police on Friday, dissent sources said.

A third man who helped out on the magazine, Glasnost, had disappeared and had apparently also been arrested, they added.

Sergei Grigoryants, chief editor of Glasnost, was released three hours after police arrested him at his home, the sources said. No charges were made against him.

Lev Timofeev, another editor, was still being held by police, the sources said. Andrei Shukov, one of two Glasnost helpers briefly detained earlier this month, had disappeared and it seemed that he too had been arrested, they added.

The magazine was launched this summer by former political prisoners.

Recently the Soviet media have started attacking it. Grigoryants, who like Timofeev served a labour camp term for underground publishing, has been warned his activities could lead to fresh prosecution.

## SOVIET UNION 'DRIFTING INTO CRISIS'

## Gorbachev turns spotlight on his critics

BY OUR FOREIGN STAFF

MR MIKHAIL Gorbachev's sharply critical analysis of socialism as practised in the USSR, published in Moscow yesterday, has intensified the spotlight on what is becoming the most visible political struggle the system has ever witnessed.

The Soviet leader's 370-page book, called Perestroika (Restructuring) and New Thinking For Our Country, warns that the Soviet Union is drifting into crisis, that its society is in a state of moral disintegration, and that strong-arm tactics by the leadership are no way to set things right.

Rather, he argues, the party must learn to stand aside and let the people participate in the decision-making process. They are quite capable of taking decisions on major issues confronting Soviet society, he adds.

Socialism is not intended to divide society into those who give orders and those who carry them out. It is vital to involve the individual in all aspects of policy.

Extracts from the book, apparently written during Mr Gorbachev's recent extended absence from public life, and to mark the 70th anniversary of the founding of the Soviet state, were published in Moscow last week and in several Western newspapers and newspapers over the weekend.

The Soviet leader's detailed apology for his efforts to reform the machinery and operation of party and state is likely to provide many targets for opponents of reform, bringing the debate further into the open.

Whether the Soviet leader intended to flush his critics into the open, as has happened in the current recrudescence within the party leadership, is not clear. But the book appears designed not only for the international readership at whom the author claims it is aimed, but also for the enemies of reform - those

who are 'used to working in the old ways', as he describes them. An extract from the book published in the West German magazine Der Spiegel says that Mr Gorbachev insists that his reforms have evolved from the needs of the Soviet people. They are not being imposed by the Central Administration and the party elite, but spring from a deeper necessity, he writes.

The Soviet society is ripe for change and unless it is allowed to change it will drift further into social, economic and political crisis.

The magazine quotes Mr Gorbachev's scathing criticisms of the corruption and moral decline of the Soviet system. 'We have witnessed the gradual integration of public morality, the dignified feeling of solidarity, the heroic times of the revolution, the first five-year plans, the Great Patriotic War, and the post-war rebuilding, began to lose their importance,' he writes.

'Alcoholism, drug abuse and criminality rose. The party leadership had let the reins loosen, everyone recognised the stagnation in the leadership as the slump amassed faster than they could be solved. The logical conclusion was that our country was drifting into a crisis.'

Commenting on the opponents of his reforms, Mr Gorbachev says: 'Bombs are not exploding and bullets are not flying, but there is resistance. "We have no political opposition, but this does not mean there is no confrontation between those who for various reasons, do not accept reform."

'Conservatism does not want to give way - but it must be overcome if we are to meet the long-term interests of society and the individual.'

The themes of the book are expected to form the core of a major speech which Mr Gorbachev will deliver in Moscow later today to launch the 70th anniversary of the Bolshevik Revolution.

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## White House optimistic on arms pact

REAGAN Administration officials continued to express optimism about the prospects for a strategic arms accord with Moscow to follow the intermediate range nuclear forces (INF) elimination deal which now seems assured. Stewart Fleming reports from Washington.

But leaders on Capitol Hill

are sceptical that the much more complex and militarily significant strategic arms agreement could, or even should, be pushed forward rapidly by the few members left in President Reagan's term.

Mr Frank Carlucci, White House National Security Adviser, said: 'There is currently a change in tone, a change in

atmosphere', in the talks with Moscow on strategic arms. However, Senate minority leader Robert Dole (Republican) said he would 'not get carried away with White House optimism about reaching a strategic arms accord by the middle of next year.'

He expected lengthy hearings on INF.

## Poles salute Soviet victims

POLAND'S Communist authorities yesterday broke a long-standing taboo and mounted a military guard of honour at a monument commemorating their countrymen who fell fighting the Red Army in 1939, Christiana Bolsch reports from Warsaw.

## Soviet dissident flies to Vienna

THE Soviet Jewish dissident Vladimir Lifshits arrived in Vienna yesterday on his way to Israel after having waited six years for an exit visa and serving 14 months in a labour camp.

Mr Lifshits, 46, a mathematician, was sentenced to three years' forced labour

## Arms ship captured off Brest

A MASSIVE cache of arms found by customs officers on board a coaster crewed by Irishmen was booty-trapped and had to be made safe by the French navy, a naval official said on Sunday, Reuters reports from Brest.

Guy Sturm, regional director of customs, told reporters that the Panamanian-registered Elstus was carrying 150 to 200 tonnes of arms, including rocket-launchers, mortars, heavy and light machine-guns, assault rifles and ammunition.

Customs officers checking the hold found plastic explosive primed to blow up if the cargo was tampered with, Sturm said. The Elstus was taken to a naval base in Brest harbour to be made safe.

French customs seized the coaster on Friday evening off the French coast after tracking it for three days. The five-man Irish crew was still being questioned by police in Brest.

Sturm said he could not confirm that the arms were destined for the outlawed Irish Republican Army (IRA), fighting to oust Britain from Northern Ireland.

'There is nothing to support the IRA hypothesis. But it seems clear that these arms are destined to serve international terrorism,' Sturm said.

France has asked Irish police to check passport details of the five men detained. Police sources in Dublin said two of the men were known to police but not for any Irish republican guerrilla activities.

## Warning on Romania economy

BY JUDY DEMPSEY IN VIENNA

MR NICOLAE CEAUȘESCU, the Romanian President and Communist Party leader, has called for 'resolute measures' to be taken to overcome shortcomings in the country's economy.

Speaking at a meeting of the executive political committee of the Communist Party, Mr Ceaușescu said that industrial production in the first 10

months of this year had improved compared with the same period last year, but was still not satisfactory.

He called for better organisation of the labour force, modernisation of the country's technology and order and discipline to be strengthened in every department.

During the meeting, Mr Ceaușescu singled out ministries as

well departments and enterprises of county party committees for shortcomings in failing to fulfill the plan.

Several ministers have already been dismissed for alleged incompetence. In September, seven were replaced including a deputy prime minister and the minister for electric power.

## Bangladesh holds over 4,500 in crackdown

By Sayed Kamaluddin in Dhaka

MORE THAN 4,500 people, including four MPs and more than a dozen prominent Bangladesh opposition leaders, have been arrested in recent days and four people have been shot dead by police as the main opposition alliances increase their pressure on President Hussain Mohammad Ershad's regime to resign before next Monday.

The regime reacted swiftly by cracking down on key opposition leaders but to no effect. The demands for a handover of power to a neutral government increased, resulting in orders for widespread arrests of opposition activists.

The multitude of opposition alliances have closed ranks around a single demand: the resignation of President Ershad. The opposition has called a "stage of Dhaka" on November 10 to force the president to quit.

However, yesterday's co-ordinated plan to surround the district headquarters throughout the country passed off largely peacefully with only minor incidents in the south-western city of Khulna.

The opposition plans to mobilise hundreds of thousands of people in the capital next week to bring the functioning of government to a halt.

The opposition's attempts to launch a massive countryside movement since July were disrupted by the national emergency following widespread flooding, said to be the worst in 40 years.

However, an important meeting last week between the two main opposition leaders, Mrs Sheikh Hasina of the Awami League and Begum Khaleda Zia of the Bangladesh Nationalist Party (BNP), gave fresh momentum to the opposition movement when they agreed to join forces to try to bring down the government.

These two women head the two most important alliance groupings, the eight-party and the seven-party alliances respectively. They differ on the form of government they want. Mrs Sheikh Hasina favours a return to a system of parliamentary democracy based on the Westminster system while Begum Khaleda Zia wants a presidential system.

But at their first meeting they agreed to forget their political differences temporarily to work against President Ershad, who has accused them of adopting unconstitutional means to launch their movement.

President Ershad is a former army general who seized power in a bloodless coup in 1982. He was elected president in October last year and re-established democracy after four years of military rule. But the opposition have accused his Jatiya Party of using fraud and violence in that election and in the parliamentary polls in May.

## Peking plans for more foreign investment

By Robert Thomson in Peking

CHINA plans to expand opportunities for foreign investors, including the opening of a property market of sorts, and the government will continue to reduce central control over the economy, senior Chinese officials have announced.

Gu Mu, the State Councilor responsible for China's open policy, said the Communist Party, now in the middle of a landmark Congress, has decided that experiments in liberalising the Chinese economy will be conducted with investors on Hainan Island, off the southern coast, which has been earmarked for intense development in the coming decade.

He said foreign investors would be able to buy exclusive property rights, most probably in the form of renewable leases of up to 50 years, and develop the site as they see fit. They will also be able to sell the property

rights to other foreign investors.

While China's economic reform programme is facing serious problems, including rising inflation and economic overheating generally, the Communist Party has clearly decided that foreign investment is to be further courted in the interests of developing the country.

Meanwhile, the acting Communist Party chief, Zhao Ziyang, told a delegation from the General Agreement on Tariffs and Trade that by 1990 only 30 per cent of the economy will be under central control; down from 50 per cent at present, and 100 per cent nine years ago.

Mr Zhao gave no indication of the means used to calculate the percentages, but they were obviously designed to impress the delegation from GATT, which is assessing Peking's application for membership.

## Long Marchers at road's end

Robert Thomson reports from Peking on the retirement of elderly leaders

WHEN ZHONGNANHAI, the Chinese leadership compound, was thrown open to foreign journalists at the weekend, the most interesting sight, apart from Mao Zedong's ping-pong table, was the prominent visage of Chen Yun, one of the Long Marchers to reach the end of the road yesterday.

Little known in the West, Chen pulled rank on the present leader, Deng Xiaoping, during the 1960s and 1980s, and pictures of him line the walls of the compound. Chen shaking hands with Mao, Chen delivering a briefing on the economy, and Chen meeting the masses.

Chen Yun, 82, apparently too ill to attend the closing ceremony yesterday of the party's 13th congress, has been a symbol of the internal opposition to China's reform programme, and his passing has now become a symbol of the successful drive by Deng to rejuvenate the leadership.

Serious economic problems this year, including a jump in inflation, should have given Chen the opportunity to make gains in his drive to limit the use of the market and reassert central control. Yet he has now left the powerful Standing Committee of the Politburo and been put out to pasture in the Central Advisory Commission, a consultative body stacked with retired veterans.

The overhaul of the leadership is testimony to the political skill of Deng Xiaoping, who, two years ago used a special party conference to usher out 64 elderly Central Committee members, but yesterday had approved a new constitution

putting strict limits on the ability of future special conferences to replace leaders.

Deng is likely to take a few steps back from party affairs in coming months as an example to other retirees, who will be sorely tempted to interfere, and yet he will retain the last word in Chinese politics until his death. Unusually, the party went public last week in its praise of Deng Xiaoping, who condemned the personality cult built around Mao and has preferred to keep a low profile.

With his courage in developing Marxist theory, his realistic approach, his rich experience and his sagacity, comrade Deng Xiaoping has made significant contributions to the formulation and development of the political line, to decision-making on a series of key issues, and to the creation of a new situation in construction, reform and opening to the outside world.

Zhao Ziyang, the acting party chief, told the party's 13th Congress, which closed yesterday, while Deng gets most of the credit for China's economic revival, Chen Yun joined the Politburo in 1956, and even then was pressing for some of the reforms used in the Deng modernisation drive. He was in favour

of using foreign capital, of reforming the pricing system and of easing controls on farmers, but his warnings about the potential "chaos" of neglecting agricultural production have made him a bogey-man of reform.

The revolutionary pedigree of the president, Li Xian'an, 82, who also handed in his party posts yesterday, is as pure as that of Deng and Chen. He joined a peasant uprising in 1927, was a captain during the Long March, rose to the Politburo in 1956, and was appointed Finance Minister in 1957.

Sometimes referred to as the "weather vane" for his astute judgment of China's shifting political winds, Li rode out the Cultural Revolution (1966-76) without being purged, unlike most of his comrades in the leadership. He became President Li in 1983, and is expected to keep that title until early next year.

His enthusiasm for reform has occasionally wavered, and both he and another elder statesman, Peng Zhen, an energetic 85, will be tempted to dabble in politics from a distance. Peng, once the mayor of Peking and the first senior official to fall at the onset of the Cultural Revolution, has aspired to higher office than his chairmanship of the National People's Congress, China's version of a parliament.

The NPC is influential, and will be more so in coming years, but the Communist Party runs the country and Peng has never succeeded in gaining admission to the core of power, the five-member Politburo Standing



Deng: most of the credit

Committee, despite signs in public comments that he feels he has more than enough talent for the post.

He joined the Communist Youth League in 1923, and was appointed to the Politburo in 1945, four years before the Communists took control of the country. It is understood that Deng Xiaoping long ago realised Peng was a serious rival, and worked to ensure that his supporters were kept away from positions of influence.

Apart from attempting to increase the stature of the NPC, Peng has tightened up the legal system, though his approach reflects his conservatism, as he has pushed for tough laws to discipline the masses instead of enshrining the rule of law.

## Aquino's sister denies taking \$1m deposit

PRESIDENT Corason Aquino's sister-in-law has denied a report that she accepted a \$1m deposit from an Australian company seeking gambling concessions in the Philippines, AP reports from Manila.

Mrs Margarita "Tingting" Cojuangco, wife of the president's younger brother, Jose, said she did not receive any money and could not remember meeting Mr Ray Lord, chairman of Smith and Lane, an Australian company. But the Sydney Morning Herald and Manila Chronicle newspapers quoted Mr Lord as saying he paid the money in cash to Mrs. Cojuangco as a "deposit" on behalf of a Hong Kong company, Frostberg.

The reports said an unspecified number of other foreign companies had paid sums ranging from \$10,000 to \$1.25m to various people, including an unidentified man claiming to represent the Cojuangcos. "At least \$10m of confidential corruption, a key feature of the years under the dictatorship of former President Ferdinand Marcos, have circulated repeatedly in Manila in recent months.

## Tutu calls for end to Inkatha-UDF clashes

ARCHBISHOP Desmond Tutu pleaded yesterday for an end to the power struggle between the Zulu Inkatha movement and supporters of the United Democratic Front (UDF), as police reported that three more people have died in continuing violence, Reuters reports.

At a service in the Natal township of Edendale, Archbishop Tutu told blacks they were setting back the anti-apartheid struggle by political feuding.

"God wants us to be free. And we say: 'Not yet. We have not suffered enough,'" he said.

Supporters of the anti-apartheid UDF were among some 700 people at the service. There was little sign of the rival conservative Zulu Inkatha movement of Chief Mangosuthu Butheles.

The two groups are battling for political control of the township.

Church groups say the violence has claimed at least 130 lives in the area so far this year.

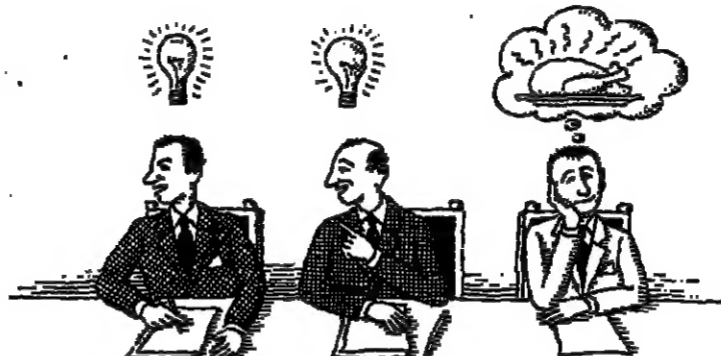
In the latest killings, South African police said a night watchman was stabbed, another black was stoned to death, and a third man shot.

Police vehicles lined up near by and a police helicopter buzzed overhead as Archbishop Tutu accused the faction fighters of helping perpetuate apartheid race segregation.

"We are saying we are still enjoying being part of the oppressive system, living in matchbox houses, receiving a gutter education," he said.

He complained that violence made it harder to argue the case overseas for black majority rule.

## He who has not eaten thinks of little else.



As the meeting discussed the rising cost of raw materials, a vision passed before Wilkinson.

Not the delectable Ms. Honeyfeather. But a plate of perfectly sliced Parma ham folded between fragrant slivers of Charentais melon.

Then a halibut swam into view as Smithson spoke cogently about North Sea oil prices.

"How will this affect our sales in France, Wilkinson?"

"Boeuf Bourguignon!" he blurted. "With sauté potatoes and petits pois, washed down with a Beaujolais Villages '85."

Wilkinson, unfortunately, had not followed his colleagues' advice to travel to the meeting First Class on InterCity.

Not for him the luxury of attentive waiters serving food and drink at comfortable tables.

No second helping of toast for him, no coffee cup re-filled at the hint of a nod.

No choice of traditional Grill Tray or Continental Breakfast.

He had gone by car.

He had not allowed for contra-flows and road works.

He was tired, tattered but above all famished.

The Chairman leaned across, eyebrows half raised, a question forming on his lips.

Wilkinson anticipated him with what he felt was a stroke of genius.

"Coq au Vin!" he crowed.

INTERCITY

BBC ENTERPRISES

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## OVERSEAS NEWS

# Brazilian leadership may pass to prime minister

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL now looks all but certain to have either a prime minister or new presidential elections next year - two years earlier than legally required - following the desertions of key supporters of President José Sarney.

The rapid shift in Brazil's political prospects began two weeks ago after a Cabinet reshuffle in which the president failed once again to wrest control of government posts away from party bosses in Congress.

So, last week, the armed forces and leaders of the right-wing Liberal Front Party - both long-standing backers of Mr Sarney's demand for a five-year term under a presidential system - abandoned the weakened president on these issues.

In a bid to halt the growing tide of support for a prime ministerial system, they made clear that they would now support presidential elections in 1988. If necessary, they would even accept a presidential poll soon after the Congress, in its current role as a Constituent Assembly,

has finished drafting the new constitution early next year.

Despite these moves, Assembly members on the key drafting committee voted by 57 to 36 to introduce a prime ministerial system. This decision must now win 280 votes in a plenary session to become part of the constitution, which commentators now say is more than possible.

Even so, much of the support for prime ministerial government derives only from those seeking any means to cut Mr Sarney's powers and put in his place someone more able to command a majority.

There is growing sense of urgency in all sectors of Brazilian society that the country must have new leaders to tackle the rapid decline in the economy and its social consequences.

Monthly inflation is now heading back to double figures per cent and is certain to exceed an annual record of 300 per cent by the end of the year. Wage claims are soaring, as are bankruptcies and unemployment, while investment is de-

clining.

The debate over which system to have - prime ministerial or presidential - cuts across all political boundaries but there now seems a clear majority for a rapid decision, in order to make way for a new government next year.

A broad informal coalition, headed by the military and the state governors, fears that lack of party discipline means no prime minister could resolve the country's problems and that dangerous drift would continue.

Because of this, plus the growing belief that Mr Sarney can never command sufficient support to take tough decisions, this coalition is trying to revive the presidential option by suggesting elections could be brought forward.

Rising excitement over the possibility of early elections has provoked wild and unsubstantiated speculation that the military could intervene. This has necessitated repeated denials from Gen Leonidas Pires Gonçalves, the Army Minister.

# Ortega may fall in line on Arias peace plan

By Peter Ford in Managua

PRESIDENT Daniel Ortega of Nicaragua flew to Moscow on Saturday for the 70th anniversary of the Russian revolution, amid hints that, on his return, he would announce new steps to comply with the Central American peace plan.

These indications came days after a warning by Mr Bayardo Arce, a senior Sandinista official, that Managua would make no more concessions until the US has stopped aiding the Contra rebels.

Diplomats in Managua suggested, however, that Mr Arce's hard line may have been designed to enhance the impact of any moves the government might unveil on November 5.

By that date, the first deadline in the peace pact, the Sandinistas are due to lift the state of emergency, which suspends a wide range of civil liberties, and to decree an amnesty for Contra rebels and political prisoners.

Nicaragua's neighbours are demanding that Managua show signs of negotiating a ceasefire with Contra leaders.

Pointing out the steps taken so far by the Sandinistas to comply with the three-month-old peace plan, Mr Arce complained Washington had responded by stepping up supply flights to the rebels, and planning a \$270m Contra aid request to Congress.

Managua is under heavy pressure, especially from President Oscar Arias of Costa Rica, architect of the peace plan, at least to negotiate a ceasefire with the rebel chiefs. President Ortega appeared to leave that possibility open.

# Malaysian TV executive arrested

BY WONG SUI LONG IN KUALA LUMPUR

MALAYSIAN authorities arrested Mr Ahmad Sebi, one of the country's most powerful media figures, and two church activists at the weekend, bringing to 81 the number of people detained under the Internal Security Act.

As managing director of Television 3, the network owned by the ruling party, the United Malays National Organisation, Mr Sebi's influence extends to the UMNO-owned Fleet Group, the country's biggest newspaper chain.

His arrest underlines the fact that the current government crackdown cuts across party, racial and religious lines, as Dr Mahathir Mohamad, the Prime Minister, struggles to defuse racial tension between Malays and Chinese and to reassert his control over the deeply divided UMNO party.

The 1.5m population of the Malaysian capital heaved a sigh of relief as yesterday passed without incident, following the

cancellation of what was to have been a huge UMNO-sponsored rally.

Most Kuala Lumpurians had feared the rally would provoke racial clashes and some observers felt a main reason for the detentions was to allow Dr Mahathir to cancel the rally without being appearing to the Chinese to be weak.

The police said the security situation was improving and families of the detainees would

be allowed to see them from today.

The police chief, Tan Sri Haniff, has also hinted that some of the detainees would be released within a few weeks, although the Internal Security Act allows for indefinite detention without trial.

The owners of three provincial newspapers ordered to suspend publication as part of the government crackdown are planning to appeal for the order to be lifted.

# Domestic problems slow pace of South Asian co-operation

BY JOHN ELLIOTT IN KATMANDU

DOMESTIC political and economic concerns are beginning to slow co-operation between the seven nations of South Asia, the leaders of which start their third annual three-day summit in the Himalayan kingdom of Nepal today.

Dominated by India, the South Asian Association for Regional Co-operation (SAARC) has run into problems in at least three main areas - agreeing a convention on tackling terrorism, identifying measures of economic co-operation, and implementing a programme to curb drug traffic.

India is slowing progress on a terrorism convention. It is worried about the legal implications of demands from Sri Lanka for countries to hand over extremists alleged to be plotting terrorism from havens in neighbouring countries.

This is significant because India has been allowing Tamil Tiger and other Sri Lankan extremist groups to operate from its southern state of Tamil Nadu, where there are more than 100,000 Sri Lankan Tamil ref-

ugees.

India is prepared to sign declarations on terrorism which would not be legally binding, but is concerned about a convention which could lead other countries to demand the return of political activists who may be innocent.

India is also resisting a proposal from Bangladesh for a South Asian development fund which would raise international loans for member countries. It is arguing that SAARC should be self-reliant and should only raise outside loans for projects which would help all the members. Other countries believe India is worried that a joint fund would dilute its own ability to raise international funds.

Some members of SAARC are also critical of the amount of action against drug trafficking by Pakistan and Nepal. They suspect this is because figures in the two countries' Governments or armed forces are involved.

SAARC was founded three years ago amid some euphoria about the potential for co-operation among member countries,

which have a combined population of more than 1bn. An approach from Afghanistan to join SAARC has not been accepted.

So far, the main usefulness of the association has been to provide the leaders of the seven countries which have major differences and bilateral problems, with a forum for informal talks.

In the next two days, the focus will be on private talks between Mr Rajiv Gandhi, India's Prime Minister, and President Junius Jayawardene of Sri Lanka, about the deteriorating security in the island. This will be their first meeting since they signed their joint accord on Sri Lanka's ethnic crisis on July 22.

India is becoming increasingly concerned about the likelihood of a long guerrilla war between its peace-keeping force on the island and Tamil Tiger extremists in the north and east.

The two leaders will be discussing ways of dealing with this and of implementing terms of the accord on regional devolution and elections.

# Curfew is lifted in Tahiti

THE 7pm-5am curfew declared for Papeete and four surrounding communities in the French South Pacific territory of Tahiti, following the October 24 riots, was lifted yesterday, but the state of emergency remained in effect, AP reports from Papeete.

The riots broke out during a confrontation between police and striking dock workers, who are seeking an extra team to supplement workers on the island of Mururoo, France's nuclear test site.

Many of the city's shops were looted and burned, and 12 people were injured.

The lifting of the curfew - which covered Papeete, Paea, Pira, Arue and Mahina - was announced by the French High Commissioner. It did not affect the state of emergency or lift the ban on alcohol sales.

The emergency, which prohibits all demonstrations, will expire on Thursday. An act of Parliament is necessary to extend it.

# Chirac starts Israel visit to confirm new links

BY ANDREW WHITLEY IN JERUSALEM

MR JACQUES CHIRAC, the French Prime Minister, yesterday began a three-day official visit to Israel, marking the re-establishment of normal relations between the two countries after many years of estrangement.

In his welcoming remarks, Mr Yitzhak Shamir, the Israeli Prime Minister, said the trip marks the "completion" of the renewal of bilateral relations, begun when President François Mitterrand came here in 1983 and broke the strongly pro-Arab stance established in France by the late President de Gaulle.

In a reference to the low level of trade links with Israel, Mr Chirac noted yesterday that there was "still more to do", to strengthen

the relationship. There are few expectations among Israeli officials of a substantial increase in bilateral trade in the near future, or of major areas of technological co-operation.

One prospect Israel is likely to pursue is that of participation in the Euratom nuclear research programme, although the recently revived suspicions of Israeli designs on becoming a fully-fledged nuclear weapons power will dampen French enthusiasm for the idea.

But, during private talks that began last night, Mr Shamir may well raise with his French counterpart the controversial subject of the Iraqi nuclear reactor bombed by Israeli aircraft

in 1981. Israel reacted with alarm last year to French press reports, denied by the French Government, that France was secretly helping to rebuild the plant.

Among other items on the agenda will be the Middle East peace process (which is in the doldrums after the failure of the recent visit to the region by Mr George Shultz, the US Secretary of State), the Gulf conflict, and the situation in Lebanon.

Both countries have nationals who are held hostage, having been kidnapped in Lebanon, by Hizbullah, the extreme pro-Iranian group. Both are reported to be persisting with moves behind the scenes to secure the release of their respective nationals.

# Herut feelers to PLO

HERUT, the right-wing Israeli party which forms the backbone of the Likud bloc, is making an unusual effort to demonstrate to Palestinians that its pragmatism, rather than the plans of the Labour Alignment, is the best route to a peace settlement, our Jerusalem correspondent writes.

A month ago, a member of the party's central committee, Mr Moshe Amirav, said he had held secret meetings with prominent Palestine Liberation Organisation supporters on the West Bank.

Now a second prominent Herutnik has told a pro-PLO weekly that, under certain circumstances, negotiations with the PLO were possible. Col Shmuel Pressburger, who is on the party's central committee, said: "I do not rule out the possibility of negotiating with the PLO, but only if it changes its attitudes."

Likud may be prepared to exploit the opportunities left by Labour and may be telling Palestinians that it is the party which can deliver on its promises.

# Assad names new premier

PRESIDENT Hafez al-Assad has accepted the resignation of Syria's long-serving Prime Minister, Mr Abdel-Rauf al-Kasm, and has asked Mr Mahmoud Zu'bi, the Parliamentary Speaker, to form a new government, a presidential spokesman said, Reuters reports from Damascus.

Mr Kasm had headed the government for almost eight years, the longest term in recent Syrian history.

Political and diplomatic ana-

lysts said they did not expect any change in Syria's foreign policy following Mr Kasm's resignation.

Mr Zu'bi and his cabinet are expected to focus mainly on agricultural and industrial development and on securing foodstuffs for Syria's 12m inhabitants.

Mr Zu'bi, who quickly started consultations, should form his cabinet in the next few days

ahead of an emergency Arab summit due to open in Amman on November 8, analysts said.

The choice of Mr Zu'bi as prime minister is said to reflect mounting presidential concern over the country's battered economy.

Mr Zu'bi, 52, faces a battle against mismanagement and corruption to combat economic stagnation, problems which overwhelmed his predecessor.

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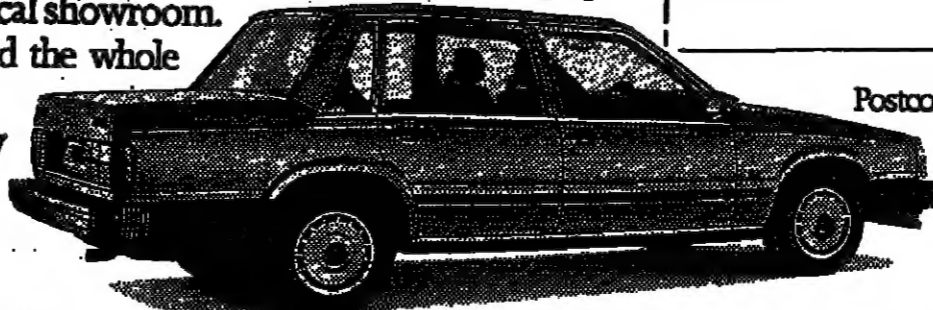
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## NORTHERN ENGLAND 6

## Gateshead festival Northern Kew takes shape

THE SITE, or rather sites, of Gateshead National Garden Festival 1990, were once among the most polluted and despoiled to be found beside the River Tyne.

Reclamation of the former Redheugh Gasworks, the Norwood Cokeworks, the Thomas Ness Tarworks and the Norwood railway sidings represents a major initiative by Gateshead Metropolitan Borough Council. It spent £4m of Derelict Land Grant in under four years in accelerating a process which might otherwise have taken 30.

By June 1988 reclamation will be complete and the framework in place for festival uses to take shape. NGF90, as it is known, is set to follow Liverpool, Stoke-on-Trent and Glasgow in the modern garden festival movement, which progresses to Ebbw Vale in 1992. It seems likely to be among the more memorable settings.

A prime reason is location. Gateshead could hardly have chosen a tougher prospect than the four sites, linked by a disused rail corridor and punctuated by the notorious River Tyne. Residual contamination included phenols, sulphides, tars, heavy metals

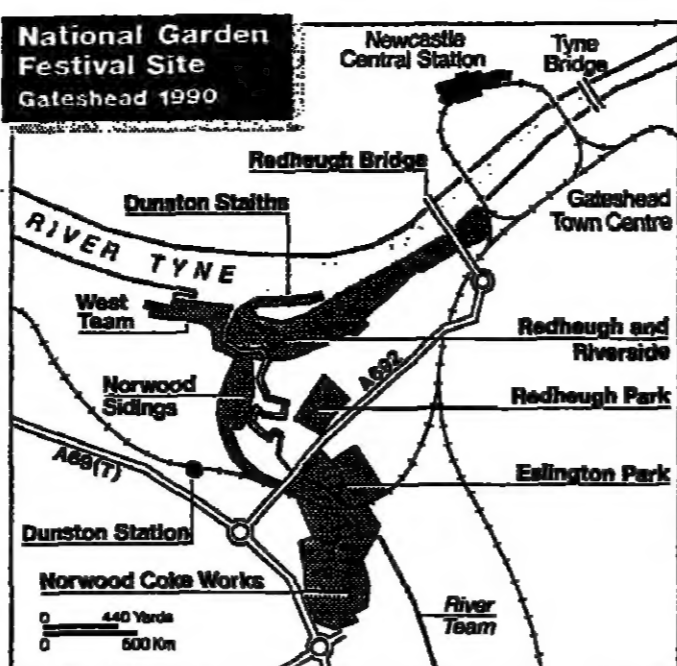
and a 20ft layer of compacted coal dust.

On one flank is a 1960s municipal housing estate, whose massive tower block, known as The Rocket, dominates the skyline. On the other, gasholders protrude. The Tyne shore is dominated by the massive silhouette of the coal staiths, whose century falls in 1990.

It is not the sort of place where you might expect to find hundreds of rare tree species, a Northern Kew. That is why Mr David Copeland, NGF90's executive director, is preparing for a greener look than other festivals. The contrast of copious planting with the stark environment around promises great visual excitement.

Mr Copeland is a planner by profession but his company, which has operational independence from the local authority, has eschewed a masterplan. Festival themes - childhood, Tyne heritage, homes and gardens - link with agreed after-uses of recreation, leisure activities and housing. The festival itself, however splendid, is principally an enabler.

Without it, Gateshead would never have levered



£6.4m in derelict land grant for the 200-acre site, let alone a further £13.5m from other public purse sources to multiply the borough's own £5.5m injection. Private sector contributions should add an all-important £4m to capital spending, plus £5m in sponsorship. Projected operational profits of £5m during the summer of 1990 suggest an overall budget in excess of £40m.

That is big money, and Gateshead MBC will be guaranteeing revenue costs of up to £8m to encourage participation. On present evidence there will be no lack of takers. NGF90 is in the process of negotiating main-title sponsors; the £4m capital injection will come from end-users. The main problem, as ever, is time.

Reclamation offered a particular challenge on the key Redheugh site, where pollution was too imbedded for the ground simply to be capped off. Given massive drainage demands, the borough's information team decided to implement a capillary break blanket method invented by Dr Tom Cairney of Liverpool Polytechnic, which was of pulverised fly ash, crushed dolomite and sand allows downward percolation but no upward movement. PFA is also being used in the sub-soil, along with straw and 100,000 cubic metres of silt dredged from the Tyne. Topsoil, stored nearby, comes from the Nissan factory site at Washington.

The staiths fronting Redheugh, listed for their historic importance, are under restoration at a cost of £1.56m. Their gables will be put back in working order, and track is being laid for period steam locomotives. Steam is already lined up in the presence of the Saven-glass and Eskdale narrow gauge railway, which will serve as a distributor around the two northern sites. A slow-moving monorail, pre-funded by a Belgian firm, does a similar job around the southern sections.

One established planning principle is that all motorised vehicles are segregated from pedestrians. Given the distance between sites, with car and coach parking necessarily on the fringes, balance and distribution of visitors - at least 25,000 are expected on peak days - will be crucial. To this end a continuous road train service will run on its

own track between the main transit points.

Pedestrians can make the same journey on a spiral foot path with shelter points every 100 yards and shopping along the corridor section. The path could also accommodate a linear modern art exhibition - if there is room. Some of the early tree planting (over 1m already) is jeopardised by rival uses.

Regionally-based landscape architect practices were awarded £1,000 each to produce ideas around the existing structure and themes. Each, says Mr Copeland, will be offered further work on merit. That is also his attitude to the nurseries and garden centres seeking to supply plants. Where possible, all contracts are to be let locally but rarer species or specifications may have to come from further afield.

Despite NGF90's quest for excellence, its appeal will be unashamedly popular. Indeed, this combination of high horticultural and amenity standards linked with themes like *Magic and Illusion* or *The Future*, is hoped to create a heady brew of local enthusiasm, regional pride and national recognition.

Will its success, in the end, be measured simply in numbers? Mr Copeland points to the huge vested interests, public and private, in a £40m project, all with different objectives and individual ways of reckoning value for money. There are bound to be those who feel unhappy.

However, he has no doubt that the festival will offer a major boost to the North-East's image and self-esteem. It will provide a legacy of exciting tourist attractions along the Tyne, of high quality recreational facilities, of private and rented housing.

Perhaps the spirit of NGF90 is best summed up by a two-acre section beside the River Tyne in Redheugh where a Third World village is planned. Visitors will enter through an aircraft fuselage, and groups from different countries will demonstrate the realities of their everyday life. It is a symbol that a nation with the ability to regenerate one of its own devastated areas has not forgotten the wider perspective.

Robert Waterhouse

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EVERYONE KNOWS where Cumbria is located on the map. Where it is located in terms of the English regions is something else. The Northern Development Company (NDC) claims it for the North; its major employers - who contribute massively to future industrial development - want it in the North-West.

Meanwhile, the county - formed in the 1970s by the amalgamation of Cumberland and Westmorland with parts of north Lancashire - pays its dues to inward, the North-West's inward investment agency, not the NDC.

Cumbria County Council has yet to decide whether it wants to go into the NDC as a fully paid-up member. Carlisle City Council has voted in favour but has no general support in much of industry and commerce, particularly in West Cumbria.

Critically, two of the most powerful elements in the industrial infrastructure - VSEL, the Trident submarine yard at Bar-

row, and British Nuclear Fuels (BNFL) at Sellafield - are interested in staying in the more buoyant North-West.

Confusion abounds, partly because of the Government's stance. Cumbria is in the North for statistical purposes but in the North-West when it comes to administration by the Department of the Environment (DoE) and Trade and Industry (DTI).

The Government puts it in the North when the monthly unemployment statistics come out, for example. The official reason is that Cumbria was in the Northern Region's original statistical base and it would confuse matters to change it.

However, Cumbria's figures are broken out easily on request and, with modern computing, change and recalculation of the base would not be difficult. One cynical view is that Cumbria's low unemployment rate of under 10 per cent helps disguise how bad things really are in the North-East.

### Tourism

## Penny-pinching is bad housekeeping

TOURISM IN Cumbria and Northumbria, the two ETB regions for Northern England, is a multi-million pound business. Last year it was worth an estimated £256m to Cumbria and £230m to Northumbria, providing around 50,000 valuable jobs across the North. Yet the two tourist boards, with a combined turnover of just £1.07m, are battling to conserve their operational pennies for everyday survival.

Northumbria Tourist Board, whose hallmarks extend from Middlesbrough to Berwick-on-Tweed, is currently considering travel restrictions on its development staff. Cumbria asks journalists to kindly return backround documents, or cough up the shelf price.

The tourist boards claim their housekeeping practices are already stringent. They say that the ETBs have indicated standards of budgets for next financial year. Many of the local authorities which support them are rate-capped. The principal expansion route is through sponsorship, and in Cumbria at least commercial membership would be difficult to improve.

Grant aid for tourism projects, which comes from a separate ETB allocation, amounted to £644,000 in Northumbria during 1986-87, leaving £4.27m and 256 jobs. In Cumbria £510,000 brought an investment of £4.58m and 116 jobs.

But they are geographically small, Cumbria and Northumbria have most to gain from membership of the Northern Consortium of tourist boards, whose joint overseas marketing of "England's North Country", using Manchester Airport as the gateway, shows great potential.

At the other end of things, Northumbria recently set up its own community programme, agency in partnership with the MSC, which led to the staffing of a tourist information centre at Newcastle Airport. In comparison with the other regional board areas, Cumbria and Northumbria form the bottom league, with 15m and 16m bed nights recorded respectively during 1986 (Thames and Chilterns was the next lowest at 30m). However, tourism's importance to the Northern Region's economy is double the national average in job terms.

This is brought about by a combination of geography, topography and industrial recession. With the current agricultural crisis, farmers are also turning to tourism as a valuable source of income. Most of the region comes within rural development areas, while land over 800ft is officially a Less Favoured Area for farming. Such designations bring access to Development Commission and European Community funds. The challenges - and opportunities - vary widely across the region. Cumbria acknowledges that the Lake District becomes unhealthily full in season. Official policy is to encourage tourism in the rest of the county, and special emphasis is being placed on both Furness and Carlisle as centres. Poor publicity about Chernobyl fall-over the fells has been balanced in a strange sort of way by British Nuclear Fuels' successful promotion of the Windscale visitor centre.

Northumbria, with no single tourist magnet, suffers from a lack of perceived identity. But unlike Cumbria it has two major contributions in Teesside and Tyne & Wear, whose smart business hotels offer potential for weekend breaks. Middlesbrough is only a few minutes from the North Yorkshire Moors, and its hotels are good value. Newcastle claims to be the liveliest regional centre in Britain.

Attempting to create the missing tourist identity, the North-East's local authorities are becoming enthusiastic promoters of their own patch. Durham County Council sells the theme of the Prince Bishops who once ruled the world from Durham Cathedral. South Tyneside (or South Shields) majors on Catherine Cookson, the romantic novelist. Alnwick pushes the Percy connection as the Lion Heart of Northumberland.

An irony of the present penny-pinching is that Northumbria, especially, is so marketable. As a tourist region it has just about everything that tourists want: the Metro Centre, from Holy Isle to the Kleider Forest, with superb communications and space for all. Any image problems are illusory. Those who come to see for themselves know better. Yet Northumbria attracts consistently low percentages of tourists from overseas, and from elsewhere in England.

But Stephen Bent, Northumbria TB's development officer, believes that in the long run it is better to have a variety of themes than a honey-pot like the Lake District. He is worried that facilities could be stretched by the great influx of people expected for the Gateshead National Garden Festival in 1990. The rarity value of the North-East, something treasured by many visitors, might be dentured.

It is not that tourism organisers hide themselves away. On the contrary, they are phenomenally busy year-round. Miss Jane Paterson, Northumbria's senior marketing officer, reckons on a 10-hour day and lots of weekend work. Tourist promotion does not have much of a career structure and offers modest salary scales. It still suffers from the old slur that tourism is not a "real" job.

Cumbria, an old hand at managing Lake District crowds, is ahead of Northumbria in producing a strategy document for the coming five years. Its long list of objectives - like opening up new areas, protecting and improving precious environments, bolstering traditional industries and with a plea for a first step in more realistic funding. "In order to obtain maximum public and government support for the tourism industry, they should be informed about the needs of the tourism industry are...CTB and other agencies urgently need resources to implement this strategy."

Tourism in the North of England is more than a necessary curse. Its precisely-directed investment and its bias towards self-help have real-life implications for local communities. Cumbria and Northumbria tourist boards believe they are simply asking for better tools to get on with an important job.

Robert Waterhouse

### Cumbria

## North by North-West

Cumbria has a problem in Workington, where 14 per cent unemployment has given it development area status, but Carlisle has remained stable with United Biscuits, Pirelli and Nestle big employers, and Cavaghan and Gray, one of 31's long-term success stories as a major supplier of quiches and other high quality foods to Marks and Spencer.

Job creation efforts are very much locally based. British Steel, which, although it has long since closed its West Cumbrian blast furnaces, has one of the world's leading rail making plants in the area - very active through BSC industry. VSEL has one of the biggest training programmes in Britain.

Meanwhile, BNFL has recently announced a £1m year contribution to the West Cumbria Initiative, aimed at widening the industrial base and fostering more small business growth. This is the sort of money the NDC could do with, but BNFL is not on its list of private sector backers.

It is against this background that Mr Reay Atkinson, the NDC's chief executive, has been lobbying hard to get Cumbria

fully committed to his bid. He has some powerful friends in the Government, but so does Dr Rodney Leach, chief executive of VSEL, who argues that when compared with the 100 express routes into the heart of Manchester, communications to Newcastle make a somewhat east-west link.

Mr Atkinson concedes this, but says that Carlisle's route to the A60, compared with 11 miles to Manchester - a real sense. But while he says that, some apply to all of Cumbria north of Shap fell. He adds that the natural affinity for a where south of Shap is with North-West.

The people lobbying again him say the greater logic is to keep all of Cumbria in the Pennine region, which is where it is geographically, as the industrial giant want.

Mr Atkinson will keep fighting, however. He says: "Cumbria gives us a distinct advantage promoting the Northern Region especially regarding tourism as the strength of existing industry."

Ian Hamilton Face

# Cut costs

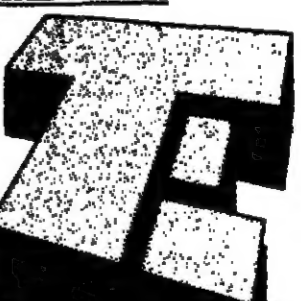
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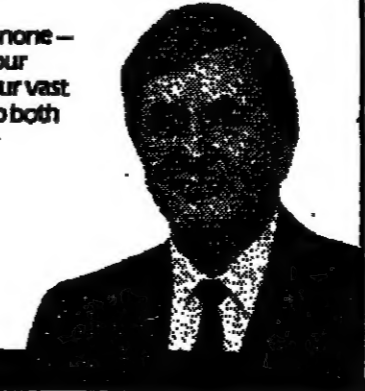
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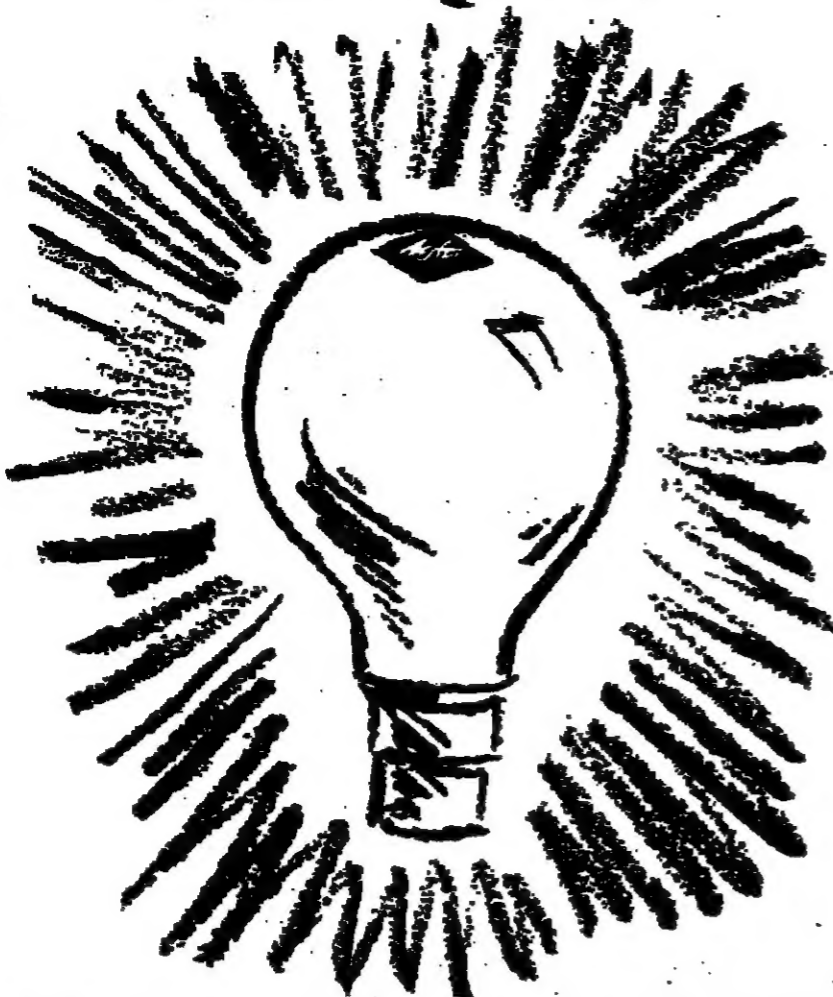
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## Humberclyde Finance Group board posts

Mr George Duncan has been appointed chairman of the HUMBERCLYDE FINANCE GROUP, formed following the management buy-out of ANZ Finance from the Australia and New Zealand Banking Group. He was a director of Lloyds Bank and chairman of Lloyds Bank. He is chairman of both Whessoe and ASW Holdings. Mr Carroll Reeve, joins the board as group finance director, he was ANZ divisional finance director, and Mr Keith Sparks, who was operations director for ANZ Industrial Finance, is appointed the group's products and marketing director.

Mr Alastair Morison, British joint chairman of Eurotunnel, has been appointed a director of BANQUE NATIONALE DE PARIS, London.

THE PA CONSULTING GROUP has appointed Mr Michael Russell to its international board. He is chief executive of PA Computers and Telecommunications, Western Europe.

Mr Nicholas Walters has joined MCDONOUGH ASSOCIATES as a director.

Mr Alexander Ritchie has joined the board of DEBENHAM TEWSON & CHINNOCES as a non-executive director. He will shortly retire as chairman of Grindlays Bank, and is chairman of Union Discount Company of London and a director of the European Investment Bank.

Mr Michael R. Cottrell has been appointed deputy managing director CERRO METALS (UK).

Mr Ian Beale has been appointed a director, and Mr Peter Tyler an assistant director of HEALTH FIELDING REINSURANCE BROKING INTERNATIONAL. Mr Donald Higham and Mr Kim Osborn have been appointed assistant directors of Health North American Reinsurance Broking.

Mr Nick Dickson has been appointed sales director and Mr Bill Howell operations director of PREVIEW DATA SYSTEMS.

Mr Stephen Cooke has been appointed chief executive of GERRARD VIVIAN GRAY, stockbroking branch of Gerrard & National Holdings. He was managing director of Montagu Loebel Stanley Financial Services.

A new management company, RTZ CHEMICALS UK, has been formed to assume overall responsibility for RTZ's chemical operations in Britain, and Mr John Matthews has been appointed managing director. Mr

Alan Gant, formerly a marketing manager of ABM Chemicals, has been promoted to director and general manager of RTZ Chemicals' new biotechnologies business group. He will also serve as a director of ABM Chemicals and Slinge Biochemicals.

Mr Peter Hall, executive director in charge of computers and systems at Abbey Life, has been seconded full-time to LAUTRO to spearhead the development of a register of company representatives.

Mr Mike Morris has been appointed director of personnel and industrial relations at ITN. He was managing editor.

Mr H.W.A. Francis has been appointed chairman of the BLADE COUNTRY DEVELOPMENT CORPORATION.

Mr Paul de Vell has joined ARTHUR YOUNG as a tax consultant. He joins from Louth where he was taxation controller.

From January 1 Mr Roger Beeson will join the board of ST JAMES'S CORPORATE COMMUNICATIONS as media director.

Mr Terry Flanagan and Mr Anthony Harris have been appointed directors of INTEREUROPE TECHNICAL SERVICES.

FINLAN has appointed Mr Kim Taylor-Smith as company secretary.

Mr Geoffrey Jones, treasurer and head of the finance department of ROWATER INDUSTRIES, will retire on December 31. Miss Philippa Mack becomes treasurer from January 1.

RAIN CLARKSON has appointed Mr Edward Beinfeld and Mr Colin Campbell as executive directors of the LMX division. Mr Campbell's appointment is in addition to his present responsibilities. Mr Edward Beinfeld becomes a director of the reinsurance division.

PHOENIX BURNERS has appointed Mr Peter Gibbins to the board. He was managing director of Myson Industrial Space Heating. Mr Michael May becomes managing director of NOB-RAY-VAC GmbH, and Mr Justin Calhoun becomes group chief executive of the holding company RADIANT SYSTEM TECHNOLOGY.

Mr Nicholas R. Sallins-Smith has been appointed group treasurer of CHARTER CONSOLIDATED. He joins on November

16 from Lloyds Merchant Bank where he was assistant director, capital markets group.

Mr Charles F.M. Marland has been appointed a director of BIGGS & P BANK from December 1. He will become deputy managing director on February 1.

FRASER GREEN, Richmond, Surrey, has appointed Mr Stuart Craig as a director and investment manager. He was a director of UK institutional funds at Kleinwort, Griesonson Investment Management.

Mr Adrian Moore has been appointed general manager and a director of CANON FUND MANAGERS, unit trust management subsidiary of Cannon Lincoln Group.

MELSON WINGATE, Bourne, Cambridgeshire, has appointed Mr Peter T. Grundy as non-executive chairman.

CLARK WHITEHILL ASSOCIATES has appointed Mr Christopher Greene as a director.

Mr Yves Le Har has been promoted to assistant general manager of the commodities division of CREDITANSTALT, London.

## Standard Life senior posts

Mr John Downie, chief accountant of THE STANDARD LIFE ASSURANCE COMPANY will retire on December 23. From December 30 Mr Alan Reid becomes finance and taxation manager; Mr Neil Ross becomes chief accounts manager; and Mr David Bentley and Mr Bill Shipway become senior accounts managers. Mr Frank Clements is administration manager for the administration department. In the life administration department Mr Simon Shearer and Mr Peter Semerville have been appointed administration managers; Mr Ian Campbell, Mr Bob Fairlie, Mr John Simpson and Mr Frank Hoggie, have all been appointed assistant administration managers. Mr John Gibb is chief underwriter. Mr George Edington, Mr Richard Bowie, Mr Ken Campbell, Mr Andrew Bell, and Mr Brian Robb have been appointed administration managers in the pensions administration department, and Mr John Stewart becomes an assistant administration manager.

Mr Archibald Foster, chairman and chief executive of Esso UK, has been appointed president-elect of the INSTITUTE OF PETROLEUM.

## GRANVILLE SPONSORED SECURITIES

Company	Price	Change on 10/10/87	Div. Yr	% Yield	P/E
4,774 Am. Int'l. Ind. Ord.	201	+1	7.5	3.6	22.3
201 Am. Int'l. Ind. Ord.	201	+1	10.0	5.0	—
800 Amalgamated and Sheds	35	+2	4.2	13.1	4.5
5,715 B&B Design Group (USA)	67nd	-16	2.1	3.0	11.0
114,398 Baxton Group	275	-7	2.7	1.5	29.9
9,950 Bep Technologies	172nd	-8	4.7	2.7	13.8
945 CCL Group Ordinary	270	—	11.5	4.3	6.9
1,750 CCL Group 7.5% Cum. Pfd.	240	—	15.7	11.2	—
21,399 Ciba-Geigy Ordinary	348	—	5.4	3.7	24.6
714 Corporation 7.5% Pfd.	322	+1	10.7	10.5	—
3,100 Group Ind.	168nd	—	3.7	2.2	4.3
8,205 Iels Group	103	-7	—	—	—
10,832 Jackson Group	104	+2	3.4	3.3	11.5
29,631 Multibanco NV (Amst)	380	-55	—	—	15.1
20,500 National Holdings (SE)	57	-4	0.1	—	16.5
3,078 Record Holdings 10% Pfd. (SE)	114	+4	14.1	12.4	—
612 Robert-Jacobs	60	-1	—	—	2.6
5,980 Sorbus	128nd	—	5.5	4.4	4.9
4,250 Torday and Torday	220	—	4.5	3.0	10.7
1,807 Torday Holdings	42nd	—	0.8	1.8	3.9
14,400 Unilever Holdings (SE)	72nd	-8	2.8	2.9	13.3
56,344 Walter Alexander (SE)	203nd	-20	5.9	2.9	15.2
1,448 W. & V. Vactor	250	—	17.4	8.7	20.0
4,240 West. Ind. Ind. Corp. (USSE)	154	-3	5.9	3.4	14.3

Securities designated (SE) and (USSE) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of FIMBRA.

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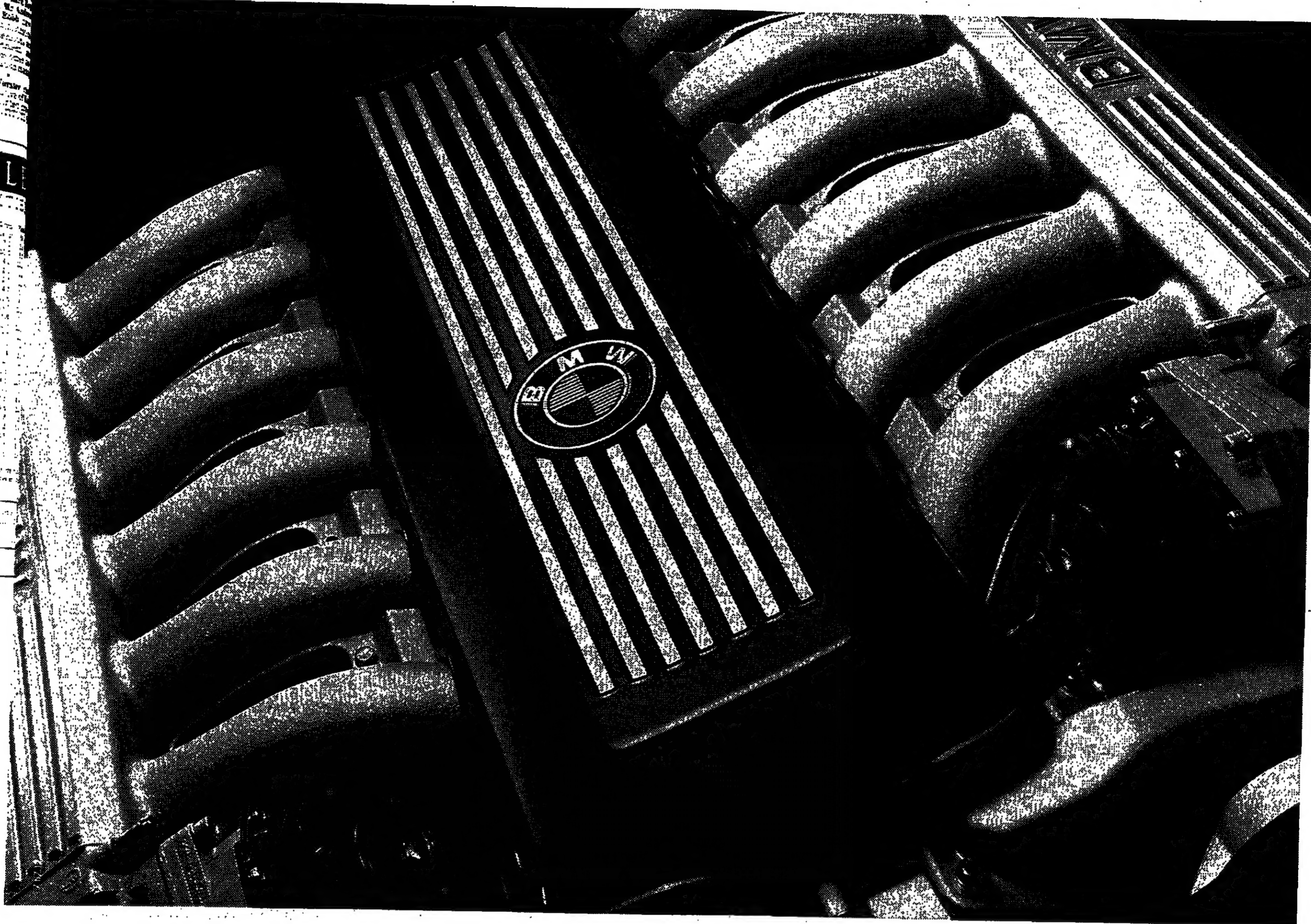
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## UK NEWS - LABOUR

## Settlement system 'not threatened by losses'

By Steven Butler and John Edwards

CITY of London brokers and stock exchange officials yesterday expressed confidence that the stock exchange settlement system would function normally today despite large losses expected as traders settle their accounts for the past two weeks of trading.

The fortnightly settlement day will force traders to pay up for losses suffered in their accounts in the period when stock prices plummeted, and brokers said some private clients were expected to be unable to meet their obligations. Defaults were not expected, however, from large institutional clients.

The losses in individual brokers were not expected to have a large knock-on effect among other members of the exchange.

Traders in stock options are expected to have more serious difficulties, and already reports have surfaced about substantial losses in traded options, agreements to buy or sell shares at a fixed price at a future date.

The settlement system is 100 per cent AOK, said Mr George Gallacher, chairman of the Stock Exchange Settlement Service, yesterday.

Mr Gallacher said that it was impossible to anticipate whether the losses of individual firms would be sufficient to cause any default of payments due between brokers' members, but that there were in any case not expected to affect the integrity of the trading system.

These settlements were called at large trading firms serving mainly banks, including Kiewit, Germain, S.W. Warburg, Hoare, Gervett, and Quilter Goodison. These firms did not expect serious knock-on effects from brokers defaulting mainly with private clients.

It was claimed that provided brokers, particularly private partnerships, would be at greater risk.

The problems for brokers have been compounded by the huge amount of business transacted as prices plunged after October 14. Brokers will have to settle immediately in order to maintain an adequate cash flow, and many experience difficulties obtaining share certificates and cash from clients.

Mr Robin Woodhead, chief executive of the National Investment Group, said his group comprising seven stock brokers was forced to increase bank borrowing facilities by five times the normal limit because of the enormous volume of business done in the past two weeks. Borrowing had reached a peak of 1,000 million compared with a normal high of 150 million.

Clients of the group have been urged to deliver as much stock as possible and to ensure that funds are cleared by settlement day, he said.

Mr David Farry, deputy chairman of the stock exchange options committee, said the exchange was "obviously concerned" about reports of big losses being suffered by individuals.

He pointed out the main risk was in writing put options which commit the writer to buy shares at a fixed price. This would now likely be well above the current market price and lead to a substantial loss. Because of the risk involved, however, most writers of put options tend to be professionals who are better able to withstand the losses.

In order to reduce possible losses to dealers, margins - the amount of money to be put up front on reaching an agreement - on traded options on the exchange were raised substantially last week.

The Bank of England confirmed yesterday that it had been working with the Stock Exchange to monitor the positions of security trading companies in the City after the recent crash in the stock market. The Bank has these past two weeks extended its normal supervision of British incorporated banks to include security companies.

## Chancellor to relax spending limits

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, the Chancellor of the Exchequer, will this week deliver an optimistic assessment of Britain's economic outlook despite the recent crash on world stock markets.

In his Autumn Statement on the economy tomorrow, Mr Lawson will also announce a relaxation in the cash limits set last Autumn for public spending for the 1988/89 financial year beginning next March.

The expectation in Whitehall is that the Chancellor will add between £20m and £30m to his original target of £154.2bn for that year. Much of the extra spending will be absorbed by the hefty pay awards given to

nurses, teachers, the police and to many other public sector workers over the last year.

Because of the rapid growth rate of the economy in 1987 and higher-than-expected inflation, the new figure will meet the Treasury's insistence that spending should fall as a proportion of total national income.

Despite additions to departmental allocations won by spending ministers over the past few weeks, several spending programmes, notably social security and defence, are expected to face a significant squeeze. The Department of Trade and Industry faces a size-

able cut in its allocation in line with the Government's philosophy that it should play a less interventionist role in industry. The tenor of Mr Lawson's view of the economic outlook was set last week when he told the House of Commons that Britain was in a strong position to shrug off the impact of the worldwide slump in equity prices.

He is expected to shade down slightly his forecast for the economic growth rate next year, perhaps from 3 per cent to 2½ per cent, but will add that the events of the last few weeks have improved the outlook for inflation and interest rates.

Mr Lawson's paradox, Page 11

## Industrialists form panel on inner cities

BY HAZEL DUFFY

THE CONFEDERATION of British Industry is to establish a high-level task force to encourage businesses to play a more supportive role in the regeneration of Britain's inner cities.

Sir David Nickson, CBI president, said in Glasgow on the eve of the confederation's annual conference that the task force will be chaired by Mr Tom Frost, group chief executive of National Westminster Bank.

Among the leading industrialists on the task force will be Mr Bryan Baker, joint group managing director of Tarmac; Mr Martin Laing, chairman of John

Laing construction; and Mr John Hall, managing director of Cammell, Ball Development, which developed the Metro shopping centre in Gateshead, north-eastern England. Professor John Goddard, director of Newcastle University's school on urban studies will also join the task force.

Mrs Margaret Thatcher, the Prime Minister, has often said that the private sector should be more willing to invest in and help solve the problems of inner cities.

The CBI is well placed to take up the challenge. The fact that

it has decided somewhat belatedly to throw in its support for initiatives in the inner cities is a mark of the more confident mood which the CBI leadership is setting for its two-day conference.

CBI leaders indicated that business would be willing to invest more in the inner cities. The job of the task force team over the next year will be to consider what these areas need. "We are concerned with making sure that the many initiatives are properly co-ordinated," said Mr Hanham.

The task force will be ser-

viced by a CBI staff team led by Mr John Calf, executive director for economic affairs, and supported by consultants McKinsey & Company. It will report to next year's conference.

The team will seek to work in parallel with the officials and ministers in the inner cities Cabinet committee, who are working to co-ordinate the Government's disparate schemes for declining inner cities.

A key area for the task force will be to bring medium-sized and smaller companies into the private sector effort.

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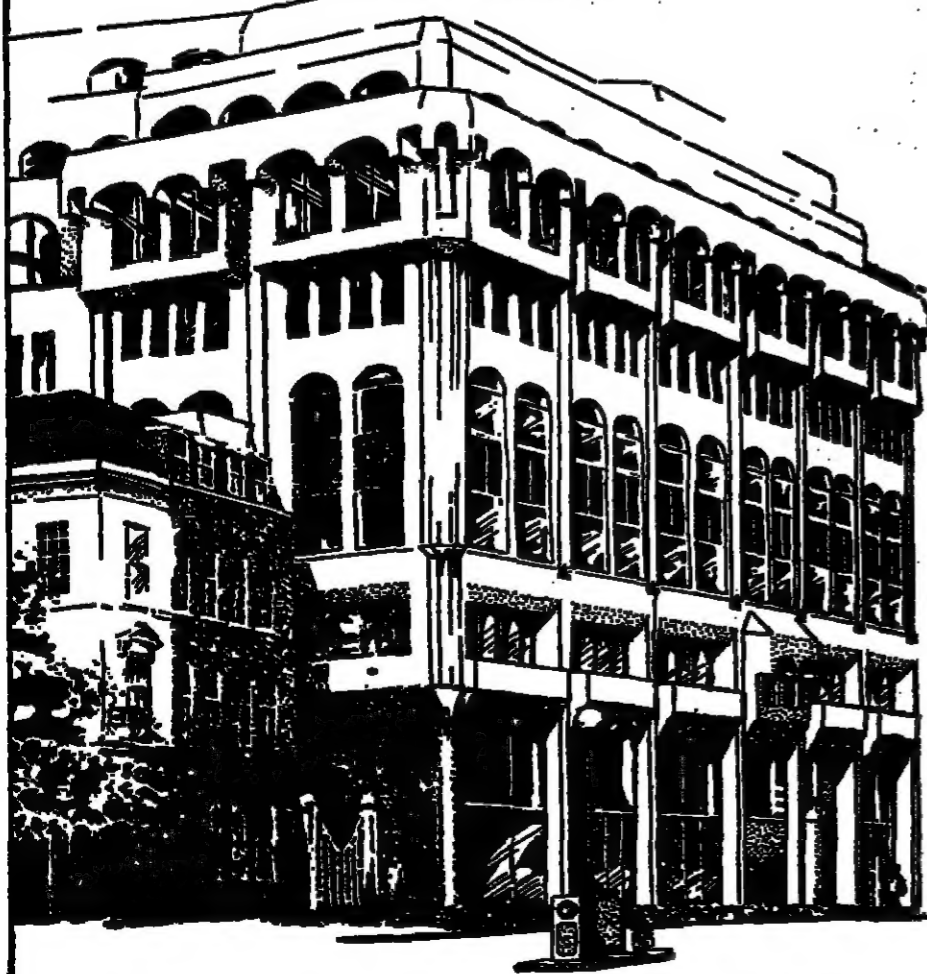
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RAND MINES LIMITED  
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Extracts from the audited consolidated results of Rand Mines Limited and its subsidiaries for the year ended 30 September 1987.

	1987 Rm	1986 Rm	Change %
Turnover	759.6	787.2	-3
Profit before taxation	230.7	281.9	-18
Profit attributable to shareholders	125.2	134.2	-7
Total assets	1 839.7	1 653.8	+11
Earnings per share	1 117c	1 197c	-7
Dividends per share	435c	425c	+2
Interim	105c	105c	—
Final	330c	320c	+3
Dividend cover	2.57	2.82	-9

The Dividend Declaration is advertised separately in this newspaper.

- ★ New gold and platinum mines in eastern Transvaal expected to cost R800 million and to create more than 6 000 new jobs.
- ★ Expansion of Harmony Gold Mine, completed at cost of R250 million, employs an additional 5 000 people.
- ★ Additional gold extraction plant in Johannesburg commissioned which will produce 1 200 kg of gold per annum.
- ★ Kintla colliery prepares to supply coal to Kendal power station on full commercial basis from mid-1988.

**COMMENT**  
After the publication of the interim report to shareholders in May 1987, decisions were made to proceed with two new mines: a platinum mine in the Steelpoort Valley in the north eastern Transvaal, and a gold mine near Barberton in the eastern Transvaal. Detailed design and construction work on the mines has already commenced. Listings on the Johannesburg Stock Exchange have been granted to Barplats Investments Limited, with effect from 19 November, 1987, and to Barbrook Mines Limited, with effect from 28 November, 1987.

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Notice is hereby given that dividend No. 99 of 50c per share has been declared in South African currency, as a final dividend in respect of the year ended 30 September, 1987, payable to members registered at the close of business on 27 November, 1987, and to persons presenting the appropriate coupon (No. 99) detached from this notice to the company. The dividend shall be payable to those who will be paid in terms of a further notice to be published by the company's Transfer Agents on or about 4 December 1987. The register of members will be closed from 28 November to 4 December, 1987, inclusive. Dividend warrants will be issued on or about 4 January 1988.

The rate of exchange at which the dividend will be converted into United Kingdom currency for payment by the United Kingdom register, transfer and paying agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the last business day after 10 November, 1987, on which foreign currency exchange rates are unaffected.

Where applicable, South African non-resident shareholders' tax of 20% will be deducted from the dividend.

The full conditions of payment of this dividend may be inspected at or obtained from the Johannesburg or United Kingdom offices of the company.

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المجلة الاقتصادية

## CEGB attacks calls for split-up on privatisation

BY MAX WILKINSON

THE CENTRAL Electricity Generating Board yesterday launched a counter-attack against critics who say it should be broken into competing parts for privatisation.

Mr John Baker, the board's managing director, said yesterday that many of the ideas put forward by the critics were "out of touch with reality," and came from people "in the world of the ivory tower, not the cooling tower."

Mr Baker, speaking in Glasgow on the eve of the Confederation of British Industry's annual conference, was making the CEGB's first public response to those who see privatisation as a way of introducing market competition between different generating companies.

He was particularly critical of a recent paper on electricity privatisation published by the Conservative Centre for Policy Studies and written by Mr Allen Sykes of Surrey University.

He said the authors admitted that their proposals had never been tried anywhere else in the world.

"It is hard to resist the conclusion that they are more interested in treating the electricity consumer as a guinea pig than in providing a service to a real person with a house to light and

a family to keep warm, or to the industrialist who has an absolute need for reliable supplies of electricity."

He said the studies, which suggested that the national transmission grid should be split away from all generating plants, would be "more convincing if the authors could point to any country overseas where the solution they favour had been successfully adopted, or explain how their solution keeps the lights on."

Mr Baker said the CEGB welcomed the idea of privatisation, and agreed that it could bring benefits to the consumer worth hundreds of millions of pounds a year. Those benefits would arise from the fact that a private-sector generating company could buy the cheapest coal from any sources in the world rather than being tied to British Coal.

It would also be free to squeeze a better deal out of plant manufacturers, he said, but those benefits could be achieved without "carrying out experiments with the structure of the industry."

It was too glib to say that electricity production would be more efficient if there were a greater number of companies. It may work in textbooks but it does not work abroad, where

electricity producers collaborate rather than compete and are tending to arrange themselves in larger not smaller groupings.

If the CEGB's integrated system were broken up, the costs might run into hundreds of millions of pounds a year and the signs were that reliability would be decreased.

If a regulatory commission was set up to ensure that enough demand was built to meet future demand and that the diversity of nuclear power was maintained, that would be neither a market solution, nor an improvement on the present arrangements.

A study published by the Electricity Consumers' Council today says that ownership of the national grid is the key to a successful privatisation strategy.

It says the grid must be run as a single unit, but its ownership could change. The study concludes that it would be very difficult to foster competition in the industry if the grid were to remain owned by CEGB.

Privatising Electricity - The National Grid and the Merit Order, Privatisation Discussion Paper 4, The Electricity Consumers' Council, Brook House, 216 Torrington Place London WC1E 7LL, £5.

## Markets' crash 'may slow growth to 2.3%

By Philip Stephens, Economics Correspondent

THE GLOBAL equity markets crash may slow Britain's growth rate to 2.3 per cent in 1988 from the 4 per cent now expected for this year, says the London Business School.

In its latest review of the economic outlook, the LBS also warns that if the events of the last few weeks provoke a recession in the US, the impact on Britain's economy may be even greater.

Before the sharp decline in stock markets began, the LBS was predicting a rise in UK output of 2.8 per cent next year. It believes that a sustained fall of 30 per cent in equity prices will reduce that to 2.3 per cent.

The impact will be felt through a deceleration in the growth of consumer spending at home and through a parallel weakening in activity abroad.

The LBS believes that consumer spending may now rise by 3.4 per cent next year rather than by the 3.9 per cent it was previously forecasting, while exports may increase by 3.9 per cent rather than 4.6 per cent.

Those updated forecasts, however, assume that the impact of the stock markets' crash remains limited to wealth losses for individuals and a higher cost of equity capital for industry.

According to Mr Alan Budd, the head of the LBS forecasting group, the effects will be more damaging if the crash creates a more general downturn in industrial and consumer confidence. In those circumstances, consumer savings ratios might rise sharply and investment spending weaken considerably.

The US would be particularly vulnerable to such developments, particularly if the US Administration remains unable to reduce its budget.

Cutbacks in imports by developing countries as a result of the debt crisis may have cost Britain 250,000 jobs in the 1980s, a study published by the Fabian Society says. The study, The Debt Crisis: The Third World and British Banks, was written by two Cambridge University economists, Mario Marcel and Gabriel Palma.

The sharp decline in world stock markets is likely to improve longer-term growth prospects by puncturing inflationary expectations, the Liverpool Macroeconomic Research Group says.

## Philip Stephens looks at the Chancellor's economic policy options

### The paradox in Mr Lawson's choice

SLOWER economic growth but bigger tax cuts may turn out to be Britain's - apparently paradoxical - legacy from the slide on world stock markets over the past two weeks.

As the dust slowed signs of settling at the end of last week, economists were poring over printouts delivered by their computer models of the economy to assess the likely damage.

The Treasury's analysis will be delivered tomorrow when Mr Nigel Lawson, the Chancellor, presents his Autumn Statement on the economy. The statement will contain the official view of prospects for everything from growth and inflation rates to consumer spending, manufacturing investment and the balance of payments.

If Mr Lawson's comments last Tuesday are any guide, it will be suitably optimistic. "The robust economic health and sound public finances that we have in this country put us in the strongest possible position to weather this storm," he told the House of Commons.

As the Treasury's computers continued to whirr late last night, the best guesses in Whitehall were that the Chancellor would forecast growth of around 2½ per cent next year, a relatively modest - perhaps £2bn or £3bn - deficit on the balance of payments.

He is also expected to say that the outlook for the public sector borrowing requirement now looks considerably better than at the time of his March Budget, when he set a PSBR target for the current 1987-88 financial year of £4bn.

Such forecasts, of course, are far from infallible. At this time last year, the Treasury predicted that public borrowing in 1986-87 would total £7bn. It proved to be less than half of that and the Chancellor later commented that his economics had been "up the pole".

Judging the outlook this year

COMPANY directors are confident about prospects for the economy, according to a poll for the Institute of Directors. Some 84 per cent reported that their businesses were doing "well" or "very well".

The institute says today that rising optimism among its members both over the outlook for their own companies and for the economy is in stark contrast to the recent pessimism on financial markets.

The bi-monthly poll was taken before the stock market crash, but Ms Judith Chappin, head of the institute's policy unit, said the survey showed that the lack of confidence in financial markets was not shared by directors.

Nearly 80 per cent of respondents said the trend in the volume of their business was higher than a year ago. More than 60 per cent were more optimistic than 6 months ago, and a similar number said that their profits position had improved over the same period.

Two-thirds of companies forecast a rise in employment during the next six months.

will also be made much more complicated by the uncertainty over whether the recent storm on financial markets has blown itself out, or whether it might be repeated in coming weeks.

On the admittedly heroic assumption that the worst is over, the Treasury's forecasts are expected to be roughly in accordance with the views now emerging from independent economists.

What everyone has to been trying to judge is the extent to which consumers in Britain and abroad will react to the instant wealth losses they have suffered by reinining back their spending and attempting to rebuild their savings.

The second question is whether industry's losses in terms of reduced, or eliminated, pension fund surpluses and a higher price of equity capital will feed through into a downturn in investment.

Some of the likely impact on both consumers and industry can be "modelled" on the ubiquitous computers, but the possibly damaging effect on what might be termed "confidence" is much more a matter of judgement.

The London Business School has revised down its forecasts of output growth next year from 2.8 to 2.3 per cent on the basis of

head of the institute's policy unit, said the survey showed that the lack of confidence in financial markets was not shared by directors.

Nearly 80 per cent of respondents said the trend in the volume of their business was higher than a year ago. More than 60 per cent were more optimistic than 6 months ago, and a similar number said that their profits position had improved over the same period.

Two-thirds of companies forecast a rise in employment during the next six months.

a 30 per cent fall in equity prices. It adds, however, that possible spillover effects on confidence might push the output to below 2 per cent.

Mr Gavyn Davies at Goldman Sachs, the US securities house, believes the main conduit for slower growth in Britain will be through a sharp weakening in activity in the US. That, with slightly stronger sterling and some small reduction in the rate of growth of consumer spending, might in theory reduce Britain's growth rate by 1 percentage point.

He predicts, however, two significant offsets in the form of lower interest rates and a decision by the Chancellor to opt for much larger tax cuts than up to now seemed likely. The net result may be growth next year of 2½ per cent rather than the 2½ per cent he was forecasting previously.

Economists at Morgan Grenfell, the securities house, are similarly sanguine. They believe the sharp fall in stock market asset prices should depress demand for credit and alleviate fears that this year's 4 per cent growth rate had put the economy in danger of overheating.

It is here that the apparent paradox between slower growth

and bigger tax cuts is explained. In spite of the buoyancy of government revenues, City fears that the economy was at risk of overheating, although officially dismissed in Whitehall, might well have acted as a brake on the Chancellor's tax-cutting ambitions.

With consumer spending rising strongly and imports growing faster than exports, Mr Lawson has faced considerable pressure within the Treasury to allocate available cash to reducing the borrowing target rather than to cutting tax rates.

Goldman Sachs is now predicting that price rises next year will run at 4 per cent rather than 4½ per cent. The present round of downward revisions to projections of both growth and inflation rates is likely to ease pressure from financial markets for further reductions in the PSBR.

That would fit neatly with Mr Lawson's ambitions to reduce the basic rate of tax to 25p as soon as it is "prudently" possible and with a move to use the first budget of the new parliament to cut the higher rates.

None of that is to suggest that Mr Lawson does not face problems. In spite of the apparent calm at the end of last week, there is still a risk that the stock markets' crash might generate first a US and then a world recession.

A growth rate of 2½ per cent next year would put a question mark over further significant reductions in unemployment, still close to 3m.

An even slower pace of expansion in the rest of the world is hardly auspicious for Britain's trade position, which has continued to deteriorate sharply in 1987.

Barring another storm on the markets, however, Mr Lawson should at least find scope this week for an optimistic gloss.

## Earnings scheme urged for long-term unemployed

BY CHARLES LEADBEATER, LABOUR STAFF

THE GOVERNMENT should consider introducing an employment credit scheme, which would allow people who have been unemployed for more than 12 months to combine their benefit payments with earnings from part-time work, according to a report published today.

The report, by Action, the long-term unemployment pressure group, calls on the Government to set up pilot schemes in

inner-city areas, with the collaboration of voluntary organisations and the Manpower Services Commission, to test the effectiveness of the proposal.

It suggests that the long-term unemployed should be allowed to earn up to £40 a week for a maximum of six months while claiming benefit. Earnings, mainly from part-time jobs, would be credited by employers to savings accounts until they

came off benefit after finding a permanent job. The account could then be drawn on.

Under present social security regulations, unemployed people are allowed to earn up to only £4 a week without losing benefit entitlement.

The report says the build-up of savings would create an additional incentive for people to find work, as well as helping to reintegrate the long-term unem-

ployed into the labour market by providing work experience. By allowing the unemployed to take part-time jobs, such schemes would also provide an alternative to the cash-in-hand black economy in which some participate.

Back in Credit, Action, 100 Park Village East, London NW1 3SR. £3.95 incl p&p.

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# For the record

30 largest unit trust groups:  
weighted performance to 1st October 1987

Position	One Year	Two Years	Three Years	Four Years	Five Years	Six Years	Seven Years	Eight Years	Nine Years	Ten Years
1	Aetna	Prolific	Prolific	Prolific	Fidelity	Prolific	Fidelity	Prolific	Prolific	Prolific
2	Prolific	Fidelity	M & G	M & G	Prolific	Fidelity	Prolific	Kleinwort B.	Perpetual	Perpetual
3	Prudential	Aetna	Barclays U.	Standard Life	M & G	M & G	Perpetual	GT	Framlington	Framlington
4	Barclays U.	Kleinwort B.	Aetna	Barclays U.	GT	NM Schroder	Framlington	Mercury	Legal & Gen.	GT
5	M & G	M & G	Standard Life	Aetna	Kleinwort B.	Legal & Gen.	GT	NM Schroder	NM Schroder	Mercury
6	County Bank	Framlington	Perpetual	Mercury	NM Schroder	County Bank	Kleinwort B.	Perpetual	Mercury	Kleinwort B.
7	Framlington	County Bank	County Bank	Gartmore	Henderson	Framlington	NM Schroder	Framlington	Kleinwort B.	Legal & Gen.
8	Target	NM Schroder	Mercury	County Bank	Gartmore	Barclays U.	Mercury	Legal & Gen.	M & G	M & G
9	Legal & Gen.	Mercury	Fidelity	Fidelity	Perpetual	Perpetual	M & G	M & G	Barclays U.	NM Schroder
10	G.R.E.	Barclays U.	S. & P.	Perpetual	S. & P.	Mercury	Henderson	Henderson	GT	Henderson
11	S. & P.	Henderson	Framlington	Prudential	County Bank	Lloyds Bank	Legal & Gen.	Barclays U.	T.S.B.	Barclays U.
12	Allied Dunbar	S. & P.	NM Schroder	S. & P.	Framlington	Hill Samuel	County Bank	S. & P.	Henderson	Allied Dunbar
13	Lloyds Bank	Allied Dunbar	Prudential	T.S.B.	Barclays U.	Kleinwort B.	Hill Samuel	County Bank	Allied Dunbar	T.S.B.
14	Hill Samuel	Hill Samuel	Gartmore	Kleinwort B.	Aetna	Henderson	Barclays U.	T.S.B.	County Bank	S. & P.
15	MIM Britannia	GT	Kleinwort B.	Target	Mercury	S. & P.	T.S.B.	Allied Dunbar	Lloyds Bank	Lloyds Bank
16	Midland Bank	Prudential	Target	NM Schroder	Hill Samuel	Allied Dunbar	Gartmore	Hill Samuel	S. & P.	Norwich U.
17	T.S.B.	Target	Hill Samuel	Lloyds Bank	Midland Bank	Norwich U.	Lloyds Bank	Lloyds Bank	Target	Gartmore
18	Standard Life	T.S.B.	T.S.B.	Allied Dunbar	Lloyds Bank	Aetna	Allied Dunbar	Norwich U.	Norwich U.	Midland Bank
19	Norwich U.	Lloyds Bank	Lloyds Bank	Hill Samuel	Legal & Gen.	T.S.B.	S. & P.	Midland Bank	Equity & Law	County Bank
20	Kleinwort B.	Gartmore	Legal & Gen.	Legal & Gen.	Allied Dunbar	Gartmore	Norwich U.	Gartmore	Hill Samuel	Hill Samuel
21	Fidelity	Perpetual	Midland Bank	Midland Bank	T.S.B.	Prudential	Prudential	Target	Prudential	Target
22	NM Schroder	Midland Bank	Allied Dunbar	Henderson	Target	Target	Aetna	Prudential	G.R.E.	Equity & Law
23	Perpetual	Scot. Equit.	Henderson	Framlington	Prudential	Equity & Law	Equity & Law	Equity & Law	Midland Bank	Prudential
24	Equity & Law	Legal & Gen.	Scot. Equit.	G.R.E.	Norwich U.	Midland Bank	Target	Aetna	Gartmore	G.R.E.
25	Henderson	Norwich U.	Norwich U.	GT	Equity & Law	GT	Midland Bank	G.R.E.	Aetna	Aetna
26	Mercury	Equity & Law	GT	Norwich U.	MIM Britannia	G.R.E.	Abbey	Abbey	Abbey	MIM Britannia
27	Gartmore	Standard Life	G.R.E.	Equity & Law	G.R.E.	Abbey	G.R.E.	MIM Britannia	MIM Britannia	Abbey
28	Scot. Equit.	MIM Britannia	Equity & Law	MIM Britannia	Abbey	MIM Britannia	MIM Britannia	—	—	—
29	Abbey	G.R.E.	MIM Britannia	Abbey	—	—	—	—	—	—
30	GT	Abbey	Abbey	—	—	—	—	—	—	—

Source: — Planned Savings Magazine

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## UK NEWS

# Shoe orders fall as imports continue rising

BY ALICE RAWSTHORN

THE BRITISH FOOTWEAR industry faces difficult trading conditions. The latest industry figures indicate a fall in the level of orders to British manufacturers and a continued surge in imports.

For the footwear industry, which only recently emerged from a severe recession, the fall in demand and rise in imports will come as a bitter blow. In the past year or so, British shoe manufacturers have regained some of the confidence lost in the years of cuts and closures that followed the declines of the early 1980s.

The latest figures from the British Footwear Manufacturers Federation paint a worrying picture for the industry. Although the present level of output is relatively stable, there has been a fall in orders and an increase in imports, which augurs ill for the future.

The level of orders received by manufacturers in August was 14 per cent lower at 11.3m pairs than in the same month last year. The value of orders increased, but the fall in volume might cause capacity difficulties within the industry.

The flow of imported shoes coming into the UK accelerated. In August, imports rose by 9 per cent to 12m pairs and by 9 per cent in value to £88.5m. That follows a year in which the value of imports has increased steadily, by 13 per cent to £77.5m.

The increase in imports has been concentrated on cheap non-leather shoes from the Far East. China and South Korea headed the most dramatic growth. The influx of imports from both countries has doubled so far this year.

One cheering note for the British industry is that the flow of imports from EC countries has continued to fall. Imports from the EC fell by 11 per cent to 50.9m pairs in the first eight months of 1987.

Imports from Italian shoe producers - which caused so much damage to the British industry in the 1980s and 1970s - have dropped by 23 per cent to 26.5m pairs. The Italian industry has suffered from the comparative strength of the country's currency.

## John Griffiths reports on motor industry expansions Panther to switch output to integrated site at Harlow

PANTHER, the sports car maker, has acquired a factory and a four-acre site at Harlow, Essex, to which all production is to be transferred from its existing home in Surrey, starting in January.

A 76,000 sq ft former printing plant forms the core of the £3m project, which will allow Panther to combine production of its new 150mph sports car, the Solo, with its other activities under one roof.

Mr Young Kim, Panther's chairman, said at the weekend that when the facility is fully operative, the company expects to recruit 100-120 employees to build 600 Solo and about 250 of the existing Kallista sports cars a year, as well as providing engineering services to outside companies.

Mr Kim said he expected up to 30 management and professional staff to transfer to Harlow from the Byfleet site, which once formed part of the Brooklands motor racing circuit.

The 70 employees who are not transferring have all been offered redundancy, said Mr Kim. An important factor in the choice of the Harlow site was the availability of additional land.

If Panther's plans proceed as envisaged, the land could be brought into use for additional production of a light four-wheel-drive vehicle, being developed by Dong-A Motor, South Korea's fourth largest vehicle maker and subsidiary of Panther's parent, the Sangyong Industrial Group.

Panther expects to produce at least 2,000 of the vehicles a year for sale in Europe as the Panther Stampede. It would differ from the Korean-built version in that only bodyshells and some minor parts would be imported from Korea, with the engine, transmission, trim and other high-value parts coming from within Europe.

Mr Kim, who admits to occasional bouts of excessive optimism, had said in the summer - when Sangyong took its 90 per cent stake in Panther - that US sales of the Stampede could also be supplied from Harlow.

The US market now looks more likely to be served by the 20,000 units a year production from Dong-A itself.

The vehicle is undergoing modification - it has been criticised as bearing too strong a resemblance to Isuzu of Japan's Trooper model. Production is unlikely to start before the end of next year.

Panther's design and engineering division will move to Harlow first in January, followed by Kallista assembly in March and Solo production in July. So far, Panther has taken £500 deposits on 90 Solos, which will sell for £28,000 each.

## Nissan introduces night shift at Washington to increase output

NISSAN's UK car manufacturing subsidiary will introduce a night shift for the first time to night.

The move is part of a programme to increase output at its Washington, Tyne and Wear, plant from 28,000 this year to more than 40,000 in 1988.

The shift is being started about a year ahead of the schedule envisaged when the agreement to set up the plant was signed between Nissan and the UK Government in the early 1980s.

The 300 people recruited for the shift, of whom the company says half were previously unemployed, bring the current total workforce to 1,100.

The company, Nissan Motor Manufacturing UK, forecasts that 2,700 people will be employed when the plant reaches full output of 100,000 Bluebird cars a year in 1991.

Starting next year, Washington's output will be classified as having a European content of 60 per cent, measured by ex-factory price, and thus can be classified as 'British'.

There is growing debate as to whether the 'local' content threshold for a vehicle to be classified as European should be raised to about 80 per cent.

However, under current rules this will allow Nissan both to start exports to the Continent from Washington next year and to have Washington's output removed from the quota currently applied to Nissan's imports under the Anglo-Japanese 'gentlemen's agreement'.

Currently, cars built at Washington are treated as Japanese and deducted from Nissan's quota of roughly 110,000 cars a year.

## US companies look for British partners

BY DAVID THOMAS

THE US Department of Commerce is today trying to put small high-tech US concerns in touch with British companies in one of the largest exhibitions it has organised outside the US.

About 80 small US companies, in fields such as computers, telecommunications, components, satellite equipment and software, are trying to find British partners at a three-day exhibition at the headquarters of the Confederation of British Industry in London.

The companies are looking to British business to forge joint ventures and licensing deals, as well as to sell their products and services.

The exhibition, called Match-makers 87, is co-sponsored by the US Government and the CBI and is aimed at launching into foreign markets US companies that would be too small to make the effort by themselves. Some of the companies will travel on to Paris for a similar exhibition.

The Department of Commerce has organised the exhibition annually in the UK for the last three years but the previous ones have been on a smaller scale.

Last year, 40 US companies exhibited and secured 235 sales leads, 53 agency agreements for the sale of their products, eight manufacturing licensing deals and seven joint ventures.

After the success of the events in London, the US government has organised similar exhibitions in Spain, Belgium, the Netherlands, Venezuela and Argentina.

## Fewer visitors to Ulster

BY OUR BELFAST CORRESPONDENT

VISITORS TO Northern Ireland fell 22 per cent into the economy last year. However, the revenue went up, the total numbers visiting the province dropped by 4 per cent.

The figures are in the annual report for 1986 of the Northern Ireland Tourist Board, which reported that most markets yielded extremely encouraging increases in the number of visitors.

Continental Europe gave a 28 per cent increase and there was an 8 per cent rise from Great Britain. The number of French tourists visiting Northern Ireland doubled last year and Germany recorded a 44 per cent increase.

On the debit side, the number of American visitors to Northern Ireland fell by 25 per cent, while in the Republic of Ireland, economic factors and the threat of civil unrest resulted in a 50 per cent drop.

However, Sir John Swinson, the tourist board chairman, said the number of visitors was again on the increase.

Estimates produced by the board predict that 1987 will produce a 6 per cent rise in the number of visitors, bringing the total from 524,000 to 557,000.

## Housing plans 'unlikely to solve crisis'

By Michael Utton

GOVERNMENT-PROPOSED housing reforms are unlikely to solve the housing crisis, the Institute of Housing says in a study issued today. Institute members work mainly in local authorities and housing associations.

The report says the proposals are an act of faith rather than experience, built largely without practical understanding of how they would operate. It says they are unlikely to provide enough houses to meet needs in areas of shortage and that the Institute is hardly confident that the measures will improve standards of maintenance or new buildings.

It says the proposals' ability to raise the quality of management in the rented sector is largely unproven and that they will result in a marginal, extremely selective rise in consumers' real power of choice.

Response to consultation papers on government housing proposals, Institute of Housing, 1 White Lion Street, London N1 8EJ.

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## UK NEWS

## Report answers retail questions

By Alice Rowntree

QUESTIONS: Which supermarket group has the most affluent clientele? Which fashion retailing chain attracts the youngest customers? And which appeals to the oldest?

Answers: Waitrose, part of the John Lewis Partnership, can boast the most upmarket customers of all the national supermarket chains. Next for Men claims the youngest customer profile of the fashion retailers, followed closely by the Burton Group's Top Man and Sear's Wallis. C & A attracts the highest proportion of customers aged over 55.

Those findings are part of a survey commissioned by Verdict Research, the retail consultancy, to gauge the degree of segmentation in the retail marketplace.

"Market segmentation," by which different businesses are targeted towards specific groups of consumers, has become one of the buzzwords of retailing in the 1980s. Yet the Verdict report suggests that the level of segmentation varies widely from sector to sector.

Fashion retailing is the area in which segmentation is most sophisticated, Verdict cites the Burton Group and Next as examples of companies that have used the concept to greatest effect.

The report suggests, however, that too many fashion retailers are concentrating on attracting too small a sector of the population. Too many companies are competing for the young adult market, for example. Such groups are thus missing the opportunity to nurture the lucrative new market of the increasingly affluent over-45 age group.

The concept of market segmentation has only just begun to be adopted within the DIY, electrical and footwear sectors. By contrast, the concept has yet to be developed within the furniture market, where many retailers still attempt to be "all things to all people". The exceptions are Habitat and Heals within the Storehouse group.

Verdict expects the segmentation of retail markets to intensify in the future, as retailers attempt to steal a competitive edge over their rivals.

Retail Market Segmentation, published by Verdict Research, 112 High Holborn, London WC1V 6JS, £450.

## Post Office finance curbs blamed for poor service

By DAVID THOMAS

GOVERNMENT financial controls on the Post Office are at the root of the corporation's failure to meet its quality-of-service targets, according to a new report.

The report is the annual review of the Post Office Users' National Council, the statutory body representing customers.

The council report echoes recent criticism of Post Office performance made by several organisations.

A survey by the council of mail posted in the Tonbridge area of Kent showed that 62 per cent of first-class letters reached their destination the next day, compared with a Post Office claim of not far short of its 90 per cent target.

Part of the disparity stems from different delivery performance. Sir Bryan

Nicholson, the new Post Office chairman, has ordered a study of whether the corporation can start measuring from time of posting to time of delivery, the basis preferred by user groups.

The users' council found a particularly poor delivery performance at the end of the week. The Post Office is to review how weekend postal services can be improved.

The council's report also said that a special scheme introduced last year to improve delivery performance between London and 20 large towns had generally had disappointing results.

Mr Tom Corrigan, chairman of the users' council, attacked the Government's external financing policy. The financial controls imposed by Government have resulted in inadequate investment in recent years and

customers are now paying the price through inadequate service," he said.

The council recommends that negative external financing limits on the Post Office should be replaced by payment of a dividend. Other recommendations include:

• No tariff increases until quality of service targets are consistently met.

• Local and long-distance quality targets, together with letter district performance, should be published.

• Introduction of part-time workers into the corporation should be speeded up.

• Information on queuing at counters should be published to identify black spots.

Customer Audit and Review of the Post Office 1987. POUNC, Waterloo Bridge House, Waterloo Road, London SE1 8UA.

## Companies' charity donations rise 35%

By RALPH ATKINS

THE TOP 200 companies in Britain increased donations to charity by 35 per cent in 1986 and are taking a more professional approach to giving, according to a report.

The Directory of Social Change, which carries out research for charities, calculates that large companies increased gifts from £46m in 1985 to £62m last year.

However, an estimated \$44m of the increase is due to mergers and takeovers, which increased the average size of companies in the top 200.

The increased generosity of companies has accompanied rising profits but has led companies to think more about their policy towards appeals for money.

"Many more are employing full-time staff with a responsibility for community affairs and companies are giving thought to why they are giving and how they can relate this to their business," the study says.

Some companies, faced with a deluge of appeals, are beginning to adopt a selective approach, imposing criteria on what they are prepared to support.

Company Charitable Giving, 1987 Statistics, Directory of Social Change, Radium Works, Back Lane, London NW3 1HL, £10.

Money is directed to areas of work or parts of the country in which they are particularly interested.

For example, the study reports, a substantial portion of the charity budget of Burton, the retailing group, is devoted to two projects. One uses a redundant Burton building, the other raises money by selling ends of lines from cloth manufacturers.

The study includes a league table of charitable donations by large companies in 1986. At the top is the National Westminster Bank, which gave £8.1m, followed by IBM United Kingdom with £2.67m, and Marks and Spencer, with £2.59m.

However, the study says the list does not allow fair comparisons because it is compiled only from published accounts.

There is no standard practice as to what should count as charitable donations. Some companies prefer to declare only a minimum figure.

Occupiers of purpose-built and detached houses would face lower rates; in some cases their rates might be cut.

Domestic Rates: The Significance of No Change, Research Department, Fuller Peiser, 16 St George Street, Hanover Square, London W1R 9DS.

## Local taxes 'would rise on revaluation'

By Ralph Atkins

SOME HOUSEHOLDS would face big rises in tax paid to local councils even if the Government dropped plans for a community charge or poll tax, says a study by Fuller Peiser, chartered surveyors.

It says that if the community charge were abandoned and the domestic rating system kept, a revaluation of property would be urgently needed.

That would alter rates significantly because of substantial changes in property values since the latest revaluation, in 1972.

The study is based on 131 properties in nine areas. It says changes in rateable values might vary by more than 700 per cent between different types of property in the same region.

Big rate rises would be experienced by many lower and middle-income groups, particularly those in terraced housing in northern England.

Occupiers of purpose-built and detached houses would face lower rates; in some cases their rates might be cut.

Domestic Rates: The Significance of No Change, Research Department, Fuller Peiser, 16 St George Street, Hanover Square, London W1R 9DS.

## Oxford may offer business course

By Michael Dixon, Education Correspondent

OXFORD University is considering offering courses in business management to supplement its student enrolments as Britain's teenage population falls sharply in the 1990s.

Proposals under examination by a committee of Oxford dons headed by Sir Claus Moser, warden of Wadham College, encompass large-scale provision of management courses for bachelor degrees as well as expansion at postgraduate level.

Although higher-degree studies are already available at the privately endowed Templeton College - which also runs practical programmes for experienced executives - the university at present provides very little teaching in management for undergraduates.

Leading dons at Oxford have been impressed by the rapid growth in demand for bachelor-degree management courses such as at Bath, Warwick and the University of Manchester Institute of Science and Technology.

Between 1981 and 1986 applications from British candidates for university undergraduate courses in management increased from 3,598 to 5,477. As a result, management has moved to fourth place in the league table of student demand.

Its growth in popularity with prospective students has far surpassed the increase in the supply of places available.

Oxford's academic leaders see the market gap created by the shortage of supply as a potential means of maintaining the university's undergraduate numbers during the impending decline of the teenage population.

"Even major universities like ourselves are likely to have to compete hard for students, especially since the Government has added an extra 50,000 undergraduate places to the quota it had previously planned," said a don yesterday.

Other senior academics, however, fear that the probable expansion of management courses will widen the decline in enrolments to other kinds of studies important to Britain's future.

Studies seen as threatened include mathematics and natural sciences - key sources of much needed specialist teachers for schools - and engineering, particularly the mechanical and civil branches, which with chemistry have suffered a severe drop in student applications this year.

## Richard Waters looks at the tougher City regime Why auditors feel disconcerted by their new responsibilities

AUDITORS to financial services companies are feeling distinctly jittery. New responsibilities due to be placed on them by the City's self-regulatory organisations are looking all the more onerous in the light of recent events in the financial markets.

The audit requirements for investment businesses will not be finalised until the self-regulatory organisations put the finishing touches to their rule books over the coming weeks.

But it seems certain that auditors will be expected to report on financial resources and control systems, provide assurances about client money held by investment businesses and report to regulators behind their own clients' backs in extreme circumstances.

"What it all adds up to is a lot more work," says Mr. Maryn Jones, an auditor at Touché Ross. Estimates of the cost of the extra work are put at between 25 per cent and 50 per cent of existing audit fees, although auditors say they will have to wait the small print of the rules to put a final figure on it.

The auditors feel particularly uncomfortable about the duty to report to the City's regulators if they have reason to suspect that anything has undermined the financial viability of a client, unless they can persuade the client to go to the regulators directly.

A similar provision in the Banking Act, which became law last month, met considerable resistance from auditors. After months of discussion, it was finally made more palatable by a modification that limited the scope of the requirement to report information uncovered during an audit.

"Otherwise, it would be pre-supposed that we should pick up anything at all that was wrong," said Mr. Colin Brown, head of audit at Price Waterhouse.

The same stipulation does not

## 'We have been surveying some clients closely over the past couple of weeks'

exist in the audit rules being introduced by the self-regulatory organisations. One implication is that auditors will need to be alert at all times and in the case of securities businesses especially when financial markets are in turmoil.

Auditors already keep in touch with their clients when events dictate. "We have been watching a number of our clients very closely in the past couple of weeks," said Mr. Paul Rutledge, in charge of the financial services group at Arthur Young. But they do not want it to become an accepted part of the regulatory mechanism.

The Securities Association, the self-regulatory body for the securities industry, is keen to reassure auditors. "Putting a real-time obligation on them would be unreasonable," said Mr. Christopher Woodburn, head of financial regulation. "99 cases out of 100 things will come up during the audit or through their normal communication with clients."

Also, he says, it will only be in extreme cases that auditors feel the need to report to regulators behind their clients' backs. But the potential exposure of audit firms to lawsuits if they fail to sound the alarm when things are going wrong makes them feel nervous all the same.

Drawing a line where the auditor's responsibility ends will be a difficult task for the self-regulatory organisations. Auditors are worried about what their relationships with those

bodies will be. Relations between the Bank of England and bank auditors have developed over a number of years. Large audit firms claim they have anyway always found ways of alerting the Bank in extremis, but the new rule to report behind clients' backs in some cases will give more muscle to Spain.

"The Bank is taking a sensible and realistic approach," said Mr. Brown.

SROs might be different. They will be under pressure to prove that they are effective regulators and are likely to see the auditors as the front line of their attack on abuses. Over-zealous regulation by self-regulatory organisations might leave the auditors uncomfortably in the middle.

"This is something we are very concerned about," said one auditor.

Meanwhile, the stress of the past two weeks is focusing the accountants' minds on the capital adequacy rules governing securities firms. According to some auditors, these are not as tough as the rules for banks - a fact that is becoming painfully clear at the moment.

The Securities Association this week considered an internal report on the effect in the past two weeks of the market's volatility on the capital adequacy of its members.

"We are not immediately going to bump up the requirements," said Mr. Woodburn. Current capital requirements are drawn up on the basis of five years of market figures, he said.

However, signs of long-term instability in the stock market would force the exchange to increase the capital burden on members at the risk of squeezing their margins still further.

The financial fallout of the past two weeks will begin to become clear today, as firms settle bargains in the last Stock Exchange account. Auditors will be standing nervously by.

## Duke to join talks on urban problems

By IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

THE DUKE of Edinburgh is to take part in a national conference on urban problems organised by the Industrial Society in Liverpool with sponsorship from the National Westminster Bank.

The society believes it is better to build links between leaders in commerce and industry, the public sector and voluntary organisations, rather than to try to solve problems directly.

It has already encouraged that approach in Sheffield, where it was partly responsible for ending a long-standing war of words between the business community and the Labour city council. However, a similar approach in Liverpool has been less successful so far.

The conference, to be held in March, will bring together nearly 500 people, 20 each from 24 cities and towns.

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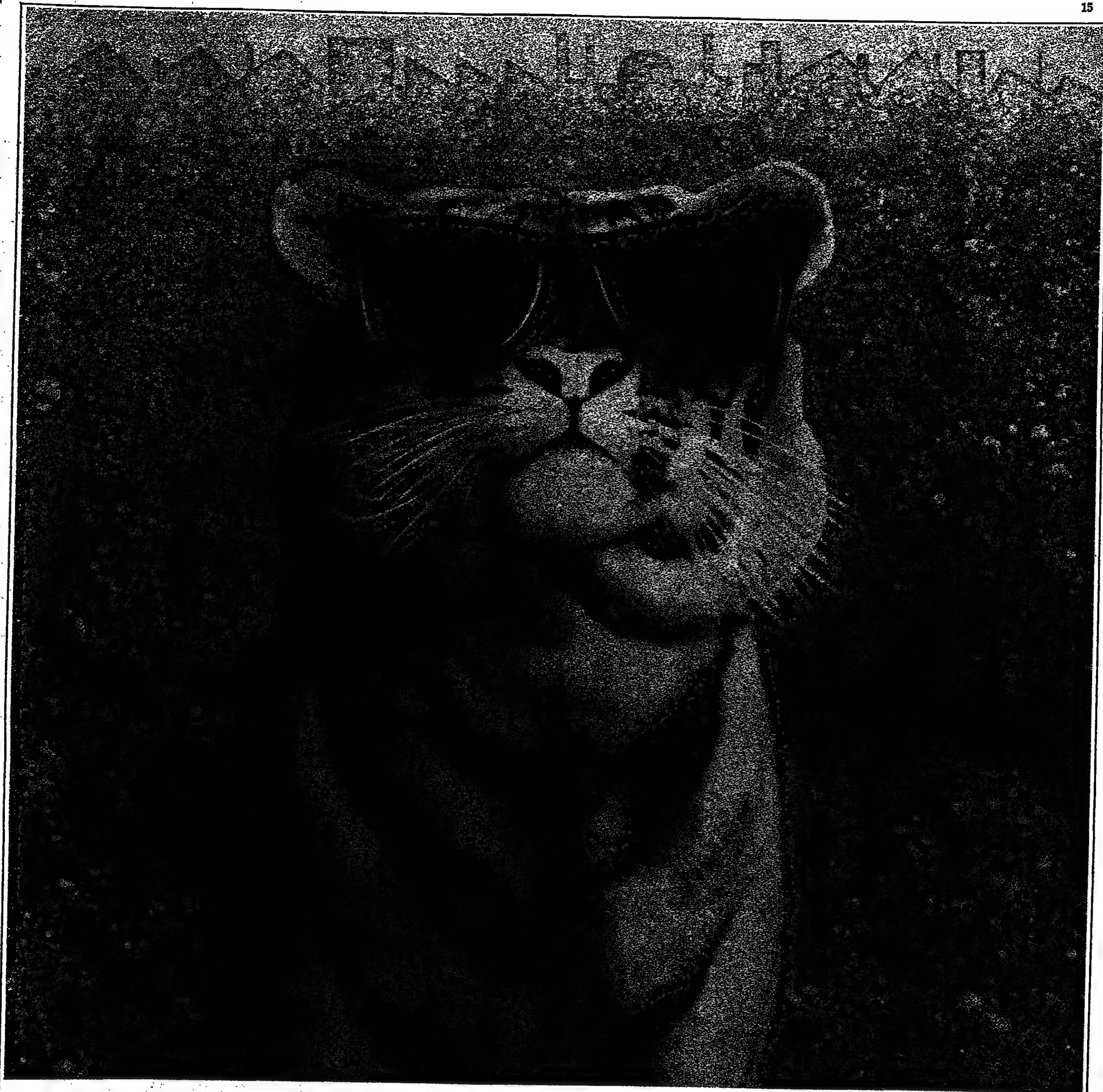
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the Civic Trust, Community Service Volunteers and Groundwork, four of the many groups taking part.

Esso is also active with bodies like the RSPB, the Nature Conservancy Council and the Countryside Commission on other environmental projects. In this European Year of the Environment we hope our involvement in UK 2000 will be even more helpful.

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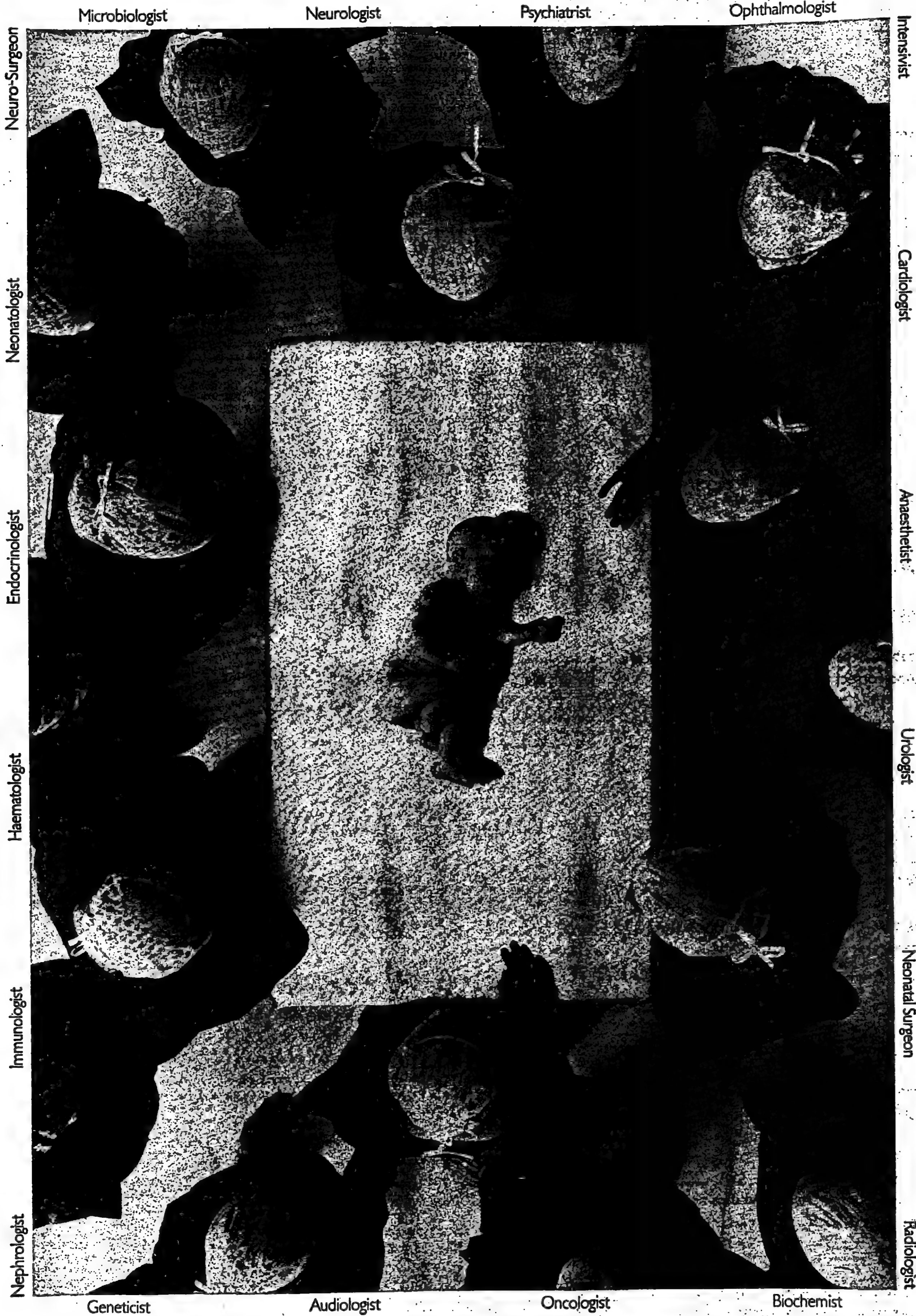
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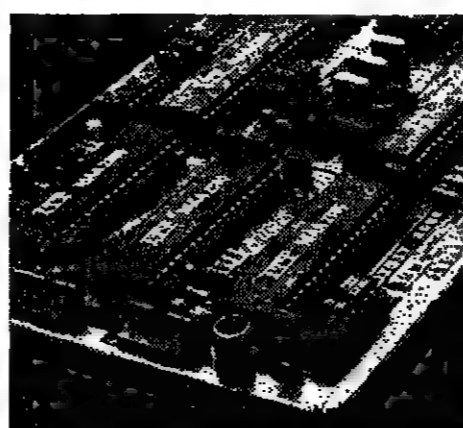
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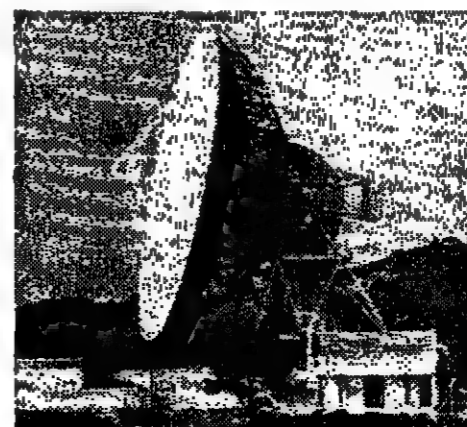
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The opening and closing scenes of the work, hard-edged and brilliant with some of the most mental writing and some of Stockhausen's most vivid music to date - worked well, as they intended in a strict concert performance; the central moments, however, abstract and inward-looking, less successful. It was confirmed. It was in these sections also that the performance appeared less certain, and the sheer energy and enthusiasm which propelled the more spectacular moments proved insufficient. In the demanding scene of the young Angela Turell was immensely impressive, coping with an unsympathetic acoustic with great presence and intensity, and providing the staging with a compelling, almost hypnotic quality, all drawn from the university's student body, had clearly been thoroughly drilled, as had much of the instrumental playing, vivified by the presence of Tony Harrison. If the event were to be used for a dramatic presentation of *Momente* unrepented, it was unquestionably a thoroughly successful one. It was a visit to a work which remains, among its composer's very best.

his physical appetite for his audience; personable, by no means demure, he is never quite both in panic and patronizing paternalism. This version prunes the relationship between Nora and Oswald to a more direct, less cynical Burrell's mixture of sympathy and authority deserves more.

The non-naturalistic production heralds Nora's bid for freedom by flying the ceiling away as she hurls the sliding walls aside. Occasionally the non-realistic touches are too much: a letter-box containing that incriminating document is illuminated like a glass showcase (or even a "candy" high up in the wall—far too much like a candy box, as she meditated with it, as Nora nervously asserts. The slam of that off-stage door that echoed through a shocked bourgeoisie, to know the hollow clang of prison bars being flung open. The play itself, whatever sexual revolution our century has seen, still

ard drugs. Temporary accommodation in a bed and breakfast motel also destroys the married couple, kicked out of their house for defaulting on the mortgage. The vignettes of life for the submerged tenth are keenly aware of the hazzes with housing sufficient, the camaraderie of Underground musicians; the roses to secure a bed at the Centrepoint Centre in Shattsbury Avenue. John Stock's obsession with in-depth research pays off in a real way.

But when the answer to urban competitiveness is found to lie among the hordes the ran looks

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**EUROPE'S BUSINESS NEWSPAPER**



Some of the things that the RFAC intends to do is to publish studies regularly. Its recent "Design in the High Street" was worthy but very much in the old tradition of Civic Trust documents. It did not really face up to the reality of High Street decline and it raised only the most important questions of the motor car and out of town shopping. The next study is to be called "New Look for London" and it is intended to give guidance to encourage a cleaner and better designed capital city.

The issue of circulars to local authorities is also proposed, and one on the vexed question of plot ratios in the City of London is included in this annual report. As these circulars will have no statutory force, it is unlikely that they will have much effect. How much notice do the City of London Corporation and its Planning and Communications Committee take of the EFA?

The examples chosen for commendation by the Commission bear out its wish to encourage

[illegible]

terisation veers into caricature only once, when a security guard confronting the protesting women is revealed as a Falklands veteran with, weight for weight, more metal than brain in his head.

The actresses double or treble parts, switching to men when necessary: Buffy Davis makes a

sturdily chauvinist; Melvyn when not expounding Mina's aerobics or green philosophy. Jane Nash is little Linda, blossoming into activism, whether fighting to have her baby at home or going into labour in the path of the dumpers' lorries (in a spotlit group, the midwife's comment: 'tray accompanied by close hand, money urgency from the girls').

**National Symphony (Concert Hall):**

the 3,000 visitors a day needed to meet the Lloyds advance. History suggests that few such exhibitors can afford to wait.

But Lloyds likes the arts, and intends to forge deeper links. It is negotiating with the RPO and hopes that its new pop orchestra will perform next year as the Black Rose Pops Orchestra. It is also investigating a Young Actors Award, bringing the best young performers to the National Theatre for a week's season next year. Lloyds, along with the West, Lloyds will become the largest commercial friend of the arts in the UK.

ty. It is a prominent member of the Per Cent Club, and gives almost one per cent of its profits, around \$4m. this year, to worthy causes. It is top of the list of any appeal seeking business money and gets hundreds of requests a week. (Note well - it disregards any letter that is obviously mass-produced)

But it is actually very rare for M & S to put its name on promoting an arts event. It sees itself as a company that makes contributions to improving the lot of the genuinely needy. Only about \$500,000 goes to the arts. Most of it is in the form of grants to social charities, or in secondings executives to bolster under-managed arts organizations. M & S chairman this year confirmed the traditional company philosophy: "It should not seek any promotional benefit from the expenditure."

Virtually all the arts sponsorship goes to youth, or education, or the elderly. Young people receive the most - \$75 million a year. A recent commitment was to give \$5 million to the National Endowment for the Arts to help the poor in the deprived areas of the country, was desperate for a worker in dance who would sink

Since its success in selling the Duchess of Windsor's jewels for over \$30m. in April Sotheby's has adopted the lady. It is selling a series of photographs of her next Friday. Five are by Man Ray, and the most expensive shows her wearing some of the famous jewellery. It is estimated to top \$1,000.

There should be strong Canadian bidding for a group of paintings by the artist. They are the period 1858 to 1860. They are sent out by the Earl of Elgin and for sale by the Earl of Elgin and descended to him from an earlier Earl who was Governor General of Canada. There are two watercolours of Quebec by his wife.

## FINANCIAL TIMES

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Monday November 2 1987

## US hands on the baton

AFTER HOLDING the dollar above the floor for months, the US is reluctantly adjusting its position to a more comfortable position. This is not what policy-makers wanted or are willing to admit to wanting even now, but clarity should not be expected of official statements at present.

The relevant fact is that the dollar has, indeed, started to fall, though extensive official intervention to slow the decline continues. The decision appears to have been not so much that a fall is desirable as that the costs of averting that fall exceed the foreseeable benefits.

The judgment is correct, but it leaves open the question of what else should be done. In particular, the change in the prospects for the world economy demands reconsideration of policy by the two main surplus countries, Japan and West Germany.

Leadership in the world economy can be exercised only by countries that have freedom of choice. With the US hamstringing economically, Japan and West Germany have the opportunity to provide a more stable and responsible economic leadership than that provided by the US for many years.

## Painful experience

Furthermore, as great trading powers, neither country is likely to suffer from the characteristic American disease of temporary amnesia about the global economy. The danger is rather that unwillingness to think in broad enough terms and an insistence on one's own rectitude will make the world repeat the painful experience of the interwar period, when the US was increasingly unable and the US unwilling to provide global leadership.

There have been two principal changes in the prospects for the world economy: first, recession has become a considerably more immediate danger than inflation; second, the adjustment in the US external accounts is likely to happen more quickly than before.

Despite loose talk, it is far too early to talk of depression. That does seem increasingly likely, however, is that stock markets are not going to regain their previous levels. There have, therefore, been large losses of wealth. Preliminary

## Poland gropes for reform

THE POLES hardly need lessons from Mr Mikhail Gorbachev on economic restructuring. The ink was dry on Polish blueprints for perestroika long before he had begun to advocate the cause from the top of the Soviet political tree. But whereas General Jaruzelski could afford, when he first seized command, to genocidal in the diversification of economic reform and then ignore it, he now has to be seen to be making an effort. Pressure from Moscow, from Western creditors, from the International Monetary Fund and the World Bank has seen to that.

That is the main point - possibly the only point - behind the latest Government reshuffle in Warsaw which has brought to prominence a number of reformers while leaving conservatives in many of the key positions. Mr Zdzislaw Sadowski, the deputy Prime Minister, newly appointed head of the Planning Commission and leader of the team that drew up the latest reform programme, is generally acknowledged to have done a good job, though the package remains a radical breakthrough. It is more a warmed-up version of the neglected 1981 reform proposals. Whether it will impress the money lenders, Poland's \$55bn debt to the West is the heaviest in the Eastern bloc - will depend more on how courageously and imaginatively it is implemented than on the measures themselves.

## Key indicator

The three-year programme is designed to bring the external current account into balance by 1991. It is intended to provide a starting point for negotiations with the IMF on standby credits to relieve some of the pressure generated by those borrowed billions. Measures include a 25 per cent cut in the 12,000 strong central government bureaucracy; the merging of several industrial ministries into one super-ministry; a relaxation of control over state-owned enterprises and over the rules governing the setting up of new enterprises (public and private); and some hefty, though as yet unspecified, price rises. The package increases, equally vaguely formulated, in incomes.

Whether this adds up to a determined effort to extend to administration of the economy the military discipline already applied in areas of less resistance,

estimates suggest that US economic growth might be some 1½-2 per cent lower next year than previously forecast. For the US, the deflation can be offset by a sharp further depreciation on industries producing tradable goods. For the rest of the world, however, adjustment in the US external account will be added to the deflationary impact of the decline in asset prices. Suppose, for example, that the adjustment were to be \$100bn in the US external account over two years. This would be roughly equivalent to a decline of 1 per cent in demand for the output of the rest of the world.

## Necessary action

What do the two surplus countries need to do? First, they need to recognise that overshooting of the dollar on the way down is probably unavoidable.

Second, the present situation demands a relaxed monetary policy, but there is a natural limit to how far short-term money market rates can fall. There is, therefore, also an important role for fiscal policy. If the US external deficit is to be reduced the surpluses must be absorbed either as increased deficits elsewhere or as reduced surpluses. Such a disappearance of the surpluses could occur catastrophically, through the effects of a recession on savings. A far better policy would be either to absorb the excess savings at home, through larger fiscal deficits or, still better, redirect a considerable part of the surplus to developing countries.

Finally, Japan and Germany are among the world's most protectionist countries on agriculture, yet they depend very heavily on the openness of other countries' markets for manufactures. Willingness to liberalise agriculture would probably do more than anything else to encourage the US from its present protectionist path.

It is possible for the world to survive the painful adjustments that are now virtually certain to occur in the US, but only if these two countries willingly accept their share of the burden. Moreover, the changes in policy are not a matter of doing things for others. What is required is no more than enlightened recognition of their own interests.

## Poland gropes for reform

## Poland gropes for reform

THE POLES hardly need lessons from Mr Mikhail Gorbachev on economic restructuring. The ink was dry on Polish blueprints for perestroika long before he had begun to advocate the cause from the top of the Soviet political tree. But whereas General Jaruzelski could afford, when he first seized command, to genocidal in the diversification of economic reform and then ignore it, he now has to be seen to be making an effort. Pressure from Moscow, from Western creditors, from the International Monetary Fund and the World Bank has seen to that.

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Whether this adds up to a determined effort to extend to administration of the economy the military discipline already applied in areas of less resistance,

A stock market crash, a December summit. What do they mean for American politics? .....



Alan Harper

## When a summit is not enough

fact that the peace issue might also escape Mr Reagan's grasp seemed a real possibility until the weekend. But Moscow's agreement to hold a December summit has saved the White House and the Republicans on that score.

However, foreign policy will not be enough to rescue the Republicans. The economy is turning sour.

An analysis in the latest issue of the National Journal, a Washington weekly, concludes that the conventional wisdom in Washington has generally been right: that apart from war, the economy is the key issue in election years.

In some cases such as 1990 (a year of mild recession) it studies the incumbent party with a close race; in others such as 1994 and 1998 it gives an incumbent President a cakewalk; in still others, such as 1990, it elects a Republican.

Now that the threat of recession looms, it is no wonder that White House moderates such as Mr James Baker, the US Treasury Secretary, are heading off any move to try to restore confidence to the financial markets - partly through cutting a budget deal with Democrats on Capitol Hill even at the cost of repealing Mr Reagan's tax cuts.

A convincing budget deal which calmed the markets

would give Mr Baker the manoeuvring room to fight recession through an export-stimulating, managed decline in the dollar.

With inflationary concerns already being dampened by the market's fears of recession, Mr Baker can also hope for a convincing package cannot yet be ruled out - Mr Baker can join Senator Robert Dole in calling for Japan and West Germany to live up to their international commitments and adopt more stimulative economic policies.

Were it not for Mr Baker's political skills, the chances of heading off a recession would be bleak. Mr Baker, however, is the Republican Party even grimmer. His influence within the White House and on Capitol Hill is such that it would be unwise to bet against his being able to pull together a credible economic policy package - although the right wing in a divided White House is scarcely making his job any easier.

By insisting on the nomination of another conservative, Judge Douglas Ginsburg, to the Supreme Court vacancy, they are risking involving the White House in another divisive political battle.

With the economic outlook almost certainly the key to the fortunes of both parties, it is to be expected that their Presidential candidates are meeting cautiously in response to the stock market crisis. They are avoiding any precipitate moves until the outlook clears.

At the same time, Republican candidates are in Houston last week, for example, it was striking that the candidates showed no enthusiasm for debating the economic crisis and even less

for making specific recommendations - although Senator Robert Dole and General Alexander Haig warned that it must be tackled urgently.

Senator Dole is generally seen as the Republican best placed to take advantage of the stock market crisis, as he has been distancing himself from the White House's budget policies for at least the past five years.

As a member of the administration, Vice President George Bush inevitably shares the blame for the crisis - and he cannot easily distance himself without apparent disloyalty to the President. On the other hand, Bush is without doubt the main beneficiary of progress on the arms control front.

The conservative wing of the Republican Party - and in particular Presidential candidate Representative Jack Kemp, who has claimed to be one of the architects of supply side 'Reaganomics' - has also suffered, because the crash is connected in the public mind with the budget deficit.

On the Democratic side, too, Presidential candidates have been cautious in their comments on the collapse, and there are divided views about which Democrat stands to gain most.

Some argue that Rep Richard Gephardt could exploit the crash, if he moves to tone down his trade legislation rhetoric; he has been making economic policy the centrepiece of his campaign. Gephardt maintains that precisely because he has allowed himself to be labelled a protectionist, Mr Gephardt could be vulnerable if parallels are drawn between his tough stance on trade and the protectionist policies which helped to precipitate the Great Depression in the 1930s.

Meanwhile Senator Albert Gore, who has been stressing

foreign affairs issues in his efforts to break out of the pack of Democratic contenders, will probably be forced to shift focus to economic issues, where he has no special expertise. If the economy proves to be heading into even a mild recession, some Democrats who decided not to enter the race could well reconsider; the Democratic nomination will go up in value as the economy sinks.

The late entry into the race, for example, of a man the Republicans fear - Governor Cuomo - or an economic policy expert such as Senator Bradley is something many influential Democrats would welcome.

A broader question is whether the influence of the liberal wing of the party will grow if a recession does come, as was the case during the 1982 recession.

As they calculate the odds and chart their strategies for next year, candidates in both parties can only be struck by the fluidity of the political environment.

**If a recession does come, will the Democrats' liberal wing become more influential, as it did in 1982?**

The Democrats have been given a new heart by the Wall Street crash - but they are acutely aware that their party is not perceived by many voters to be fielding its strongest candidate. They must also take into account the threat that in the Rev Jesse Jackson, the former black civil rights leader, they have a figure who could play a powerful disruptive role.

The Republicans, for their part, must cling to the hope that they can avoid a pre-election recession which would make the economy the decisive issue, and that they can capitalise on arms control and other positive aspects of the Reagan legacy. If they can also avoid an outbreak of ideological warfare with an increasingly disaffected right-wing, then the election could well turn out to be a cliffhanger.

FOR OVER a year, Democratic opinion pollsters have been picking up tantalising signs that the wind of political change has begun to blow in their favour.

Tantalising because the anxieties being expressed about whether Mr Reagan was leading the nation in the right direction, whether they or their children could count on having a job, whether the White House really was likely to be better at tackling the budget deficit than the Democrat-controlled Congress, were usually couched in terms of worries about the future.

Today, says Mr Kirk O'Donnell, President of the Centre for National Policy, a Democratic think tank in Washington, it's a different game. The future is now.

It would be hard to overestimate the relief now spreading through Democratic Party ranks as Wall Street has crashed or the anxiety among Republicans as they face the fact that the markets in which they have put so much faith could help to dash their hopes of a third consecutive term in the White House. True, Friday brought Mr Reagan's party the distraction from economic matters it most prizes - a Washington summit and the hope of a further meeting in Moscow next year. But this week it will be back to business as usual in persuading Congress to agree to harsh medicine for the budget deficit.

With every day that passes without clear signs of a White House strategy for rebuilding the financial markets' confidence in Washington's political leadership, the prospect of an election year recession looms closer.

On this point, history's lesson is clear and it is reaching the ears of Democrats and Republicans alike: a recession over the next year would tilt the balance of electoral advantage, probably decisively, in favour of the Democrats.

If you assume that the stock market crash presages a recession, it helps the Democrats, says the top political strategist of one of the Republican Presidential candidates. 'The degree depends in part on how deep an economic decline.'

Not surprisingly, Mr O'Donnell takes a different perspective. He argues that the crash has presented the Democrats with an issue - economic policy - which they have hitherto proved unable to exploit.

There was a kind of issues vacuum until last week, says Mr James Reichley, a political scientist at Washington's Brookings Institution. Now he says 'public perceptions of the parties' ability to manage the economy can be altered.'

But how certain is it that the Democrats will be able to take advantage of the change? Which candidates are best placed to exploit the shift and what may be the longer term implications for both parties?

That there has already been a shift in favour of the Democrats is a judgement which top Republican strategists, such as Mr David Keene of Senator Robert Dole's Presidential campaign, still point to as a problem for the Democratic Party.

But Mr Reagan's defeat over the nomination of Judge Robert Bork to the Supreme Court and his inept handling of the stock market crash coming amidst the President's approval rating remained at 52 per cent; the number of respondents saying

that the economy was getting worse rose only to 38 per cent after the crash from 34 per cent before. Republicans also point out that there has been a narrowing in the gap between the number of registered voters saying they expect to vote Democrat (58 per cent) and Republican (38 per cent), compared with a year ago when the Iran Contra scandal broke.

Mr O'Donnell's response to this data is that attitudes will change as the magnitude of what has happened begins to sink in.

The travails of the Democrats - whose candidates have been awarded the 'Seven Dwarfs' by a media which wondered why the party's most able politicians such as Governor Mario Cuomo of New York were apparently sitting the 1988 race out - made a Republican victory all the more plausible. So too did the self-destruction of the candidacies of Senator Joe Biden and former Senator Gary Hart. Last week's poll quoted one registered Democrat, Mr Thomas Nettles, as saying scathingly, 'What has this bunch of Democrats ever done or said that would make

## The markets the Republicans put their faith in could dash their hopes of winning the White House

'you have any confidence that they could run the world?' Such questions become even more pertinent with the prospect of Mr Reagan and Mr Gorbachev meeting together on the White House lawn.

Most voters, the poll suggests, believe the Republicans have better Presidential candidates. It is a judgement which top Republican strategists, such as Mr David Keene of Senator Robert Dole's Presidential campaign, still point to as a problem for the Democratic Party.

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## Tunisia balances the books

Tunisia, North Africa's smallest country, has been going through the pains of austerity for the last year in order to meet all the targets set out in the standby agreement it reached with the IMF last autumn.

Already domestic production is growing at an annual rate of 6 per cent (after a decline of 0.3 per cent in 1986) thanks to a record crop, a record number of European visitors (1.5m), and a major progress where the export of clothes and fish are concerned.

In spite of the challenge mounted by Islamic fundamentalists in recent months, Tunisian leaders have moved faster than most of their African and Arab peers to address their country's economic imbalances.

Political uncertainty, the consequence of the frail health of President Habib Bourguiba, who is officially 84-years-old, has not stopped the Government from tackling some of the real economic issues.

## Power games

President Bourguiba likes to play musical chairs with his top men.

Some ministers and newspaper editors have in recent weeks been appointed, others have been switched back to their old jobs within a few days. Such uncertainty does little to help the smooth running of the affairs of state.

The idiosyncrasies of the leader, who has dominated his country's politics for over fifty years, are, of course, part of Tunisia's political life. But they no longer even amuse that half or more of the 7m Tunisians who were born after independence and have all but forgotten the struggle to free the country from the French.

## Radical chic

Tunisia remains by Middle East standards a very open country.

## Men and Matters

Senior officials are usually welcoming. If a little more cagey these days. But they are difficult to detect as they have been asked to trim their beards. Muslim 'sisters', known as 'khousanjas', wear tight-fitting headscarves which hide their hair, and a long, ample cloak of a sober colour - a far cry from the white 'sai-sai' veil traditionally sported by Tunisian women.

The sisters refuse to wear make-up. In daily life, they tend to react very aggressively towards the vast majority of Tunisian women who wear the headscarf. They do not kiss their fellow men on the cheek, which is traditionally the norm in Tunisia. They will only kiss their 'sisters'.

Unlike most Tunisian town women, who will go to the beach and bathe in European costume, the 'khousanjas' only go to the beach at night. Even then many of them refuse to bathe.

## A welcome

Tunisia has featured in the news frequently in recent months because of the growing boldness of Muslim activists in challenging what is the most secular of Arab regimes. Yet, for all the army and police presence in major towns, notably Tunis, and the growing frequency of identity checks for anyone travelling by taxi (activists of ten reach their tent demonstration by taxi), Tunisia remains very tolerant and welcoming to foreigners.

Good wine is to be found in all hotels catering for tourists, and the many restaurants which offer a good blend of French, Italian, and Tunisian cuisine. Such vineyards as Red Magon, Muscadet de Kelibia, or Clair-ette de Bizerte, which many native Tunisians enjoy, give the lie to those who believe the Moslem activists will have an



'Fancy letting him sell you all that - I suppose you've got a pile of BP shares at home'

easy time converting the majority of their countrymen into a rigorous attitude towards Islam. Indeed, so considerable are Tunisian waltzers to the habits of drinkers that they always ask you, when pouring beer, whether you would like it with or without froth.

## Monastir style

No expense is ever spared for the head of state's birthplace. Monastir, a town which lies just 100 miles south of Tunis, and where Bourguiba traditionally spends the summer months.

The town's former governor, Manouf Skhiri, who is now a member of the cabinet, has been nicknamed Arcades, so keen has he been to adorn this small, graceless town with artefacts.

Sadly, they bear little relation

to Tunisia's traditional Moorish architecture.

Monastir now looks rather like a film set, an ironic development since the town's fortress served for many years as a location for foreign film and television companies seeking a romantic Mediterranean setting.

The courtyard has been dressed up, on various occasions, to look like a Roman forum, and the temple in Jerusalem.

The mausoleum in Monastir is not quite complete, because the people hold it a superstition that Bourguiba may die when it is finished.

A metro now links Monastir to nearby Sousse, and travels virtually empty in summer months at a rate of the chequer of Dinars 12,000 a day.

The town also boasts a 17 kilometre motorway to Sousse, fully lit at night and usually deserted, a 'Palais des Congress' various university facilities, an airport, and a glided statue of the president as a schoolboy in school uniform carrying his satchel.

New statues of the president are, indeed, going up all the time. The Place d'Afrique in the heart of Tunis has been rechristened Place du 3 Aout, 1956 - his official date of birth. Meanwhile, a 35-metre statue of him, rising in the Place de la Casbah, will dominate Tunis.

Jobs are suggesting that visitors will be able to climb up inside it and look out over the capital through the eyes of the man who has for so long dominated the politics of his country.

## Town planning

The art of making a little go a long way is long established in Tunisia. When Queen Dido arrived from Tyre in 816 BC, the local Berber chieftain offered her as much land as could be covered by the hide of an ox. The wily Phoenician promptly cut the hide into fine strips - and the city of Carthage, where the presidential palace stands and from where the country is still ruled.

Observer

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... and for the US economy? Stewart Fleming (left) and Anatole Kaletsky (below) report

# A suitable case for shock treatment

**"RISING GERMAN" interest rates are not in keeping with the spirit of what we agreed to," Mr James Baker, US Treasury Secretary, Saturday October 17.**

The underlying economy remains sound, President Ronald Reagan, Monday, October 19.

"Let us have no illusions. The Americans are prepared to let the dollar fall to DM160," Mr Jacques Delors, President of the European Commission, Wednesday, October 22.

These three notorious pronouncements - one for each week of October's unprecedented upheaval in world financial markets - will probably figure prominently in every history of the Crash of 1987. But history may judge these statements less harshly than the speculators who lost their fortunes in the market turbulence which each of them helped to unleash.

It may turn out, in fact, that each of these assertions was both true and justified: that the US economy is now sound, that Washington will reduce to tolerable German monetary policy, and that the US authorities will welcome the dollar falling by a further 10 per cent or so.

More importantly, it may appear that the crash of 1987 had its constructive side: that it has put in place a stronger framework for the long period of world-wide economic adjustment and rehabilitation.

This period should, at the very least, see a reduction of the trade imbalances between America, Japan and Europe. And while the costs which dangers of this process could, contrary to popular belief, be greater for Japan and Europe than for America, there is at least an outside chance that a US adjustment could also lead to lower joblessness in Europe and higher living standards for the Japanese. In ideal circumstances, some of the benefits of global financial might could be spread to the developing world.

Only one group seems unlikely to gain in the aftermath of the Crash: investors who put their money in the stockmarkets last summer may have to wait for many years before they can get prices higher than those at which they bought. For if a period of global economic rehabilitation is now at hand, it will tend to boost the prices of real

capital, rather than financial assets. Even if companies continue to expand their profits, they will spend more of them on investment and less on dividends, takeovers or buying back their own stock.

The case for long-range optimism in the wake of the world-wide stockmarket collapse does not rest simply on the trite refrain that has gone round the world about Washington now being forced to put its budgetary house in order. Nor does it include the possibility of a US recession within the next year. An early recession is obviously now more likely than it was a month ago, although most economists regard it as highly improbable. Almost universally, forecasters have cut back their growth projections by one percentage point to reflect the impact of the crash on the US economy. The premature end of a recession can be avoided for the foreseeable future, though this optimism itself may add to the uncertainties and risks. For if any symptoms of a recession did become apparent, the market could easily crash again, with serious consequences for the global economy.

However, it is not the timing of the next recession that matters in the long run. There are two other questions of far greater significance for the world: will the next US recession turn into a 1930s-style depression and will the rest of the world economy with it? Today, both of these questions seem more pressing than they did a month ago. But by the same token, now more likely than policy makers around the world will act.

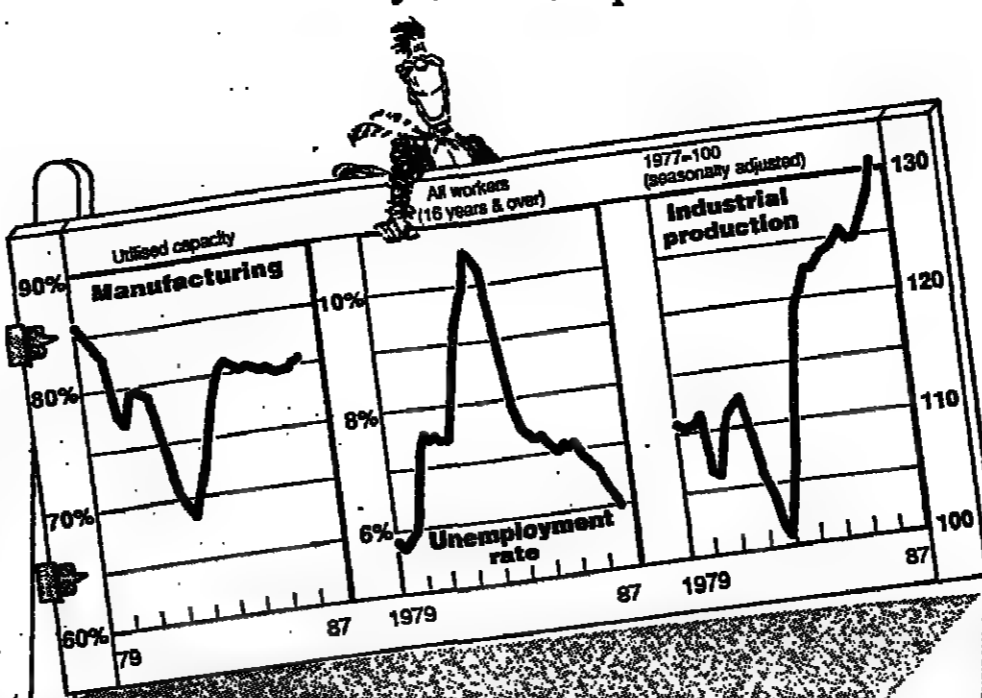
There have always been three main reasons for fearing a 1930s-style depression in the US. In the first place, the US trade deficit would swell much further in a downturn and thereby rule out the possibility of fiscal stimulation by the US government. Then, as a US recession deepened, the financial excesses of the 1980s - from Third World debt to leveraged buyouts - would come home to roost at once as borrowers' abilities to service their obligations

stretched to breaking point. Finally, and most alarmingly, if the US economy were to enter the next recession with a seriously overvalued currency, the only means available for Washington to stimulate its economy would be to drive down interest rates. Given the immensity of US trade deficits, this monetary relaxation would probably lead to an immediate collapse of the dollar. And such an abrupt US devaluation could drag the rest of the world economy into a genuine depression.

While everybody today talks of the American Smoot-Hawley tariffs as one of the critical errors of the 1930s which turned a US recession into a global collapse, competitive devaluation could be almost as effective as outright protectionism in spreading the agony of deflation around the world.

But after the market crash, two vital features of this grim scenario have changed for the better. The premature end of the five-year bull market has limited some of the financial extravagance - in corporate deal-making, for example - before it got completely out of hand. More important, with the breaking of growth and inflation expectations, there is now a good chance that the dollar will adjust downwards, not after, the next US recession. The key reason why the US was reluctant until last week to let the dollar fall much further and faster on the foreign exchanges was the fear of inflationary overheating in the domestic economy. With unemployment now below 6 per cent nationally and lower than 4 per cent in booming parts of the country, the US could scarcely afford to offer the stimulus of a lower exchange rate to its exporting and import-competing industries, without simultaneously doing something to restrain the booming non-tradable services side of its economy. To put the same proposition another way, if the US attempted to reduce its trade deficits by devaluing the dollar, it would be accelerating inflation unless it curbed consumer spending at the same time.

With the collapse on Wall Street, and the dampening effect which this should have on spending, the crucial inflationary constraint on exchange rate policy has disappeared. Given the generally deflation-



ary background against which the US devaluation policy could now be enacted, a fall in the dollar could make a major contribution to reducing the seriousness of the next US recession by boosting US net exports, thereby compensating in part for the decline in domestic demand.

Nevertheless, this policy would beg two questions. Why should the dollar fall any further, given the 40 per cent decline which it has already suffered since early 1985 and the broad parity which has been

re-established between the prices of goods in US and overseas markets? And what would a further substantial devaluation do to America's trading partners, who are themselves about to suffer a loss of economic confidence in the wake of the market crash? Both questions have the same essential answer. If the US devalues the dollar, it will be accelerating inflation unless it curbs consumer spending at the same time.

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Lombard

## A look at some silver linings

By Samuel Brittan

WHAT HAS been happening to the real British economy while eyes have been centred on the stock market crash? The answer is that it has been doing better than well. By this I mean that demand and output have been rising even faster than generally expected; and the argument has been between optimists who believed that the economy could cope with current and prospective growth rates and those who contended it was being overheated.

For instance, the London Business School has just endorsed the Treasury's estimated 1987 growth rate of nearly 4 per cent slowing down to a still very healthy rate of near 3 per cent - or 3½ per cent excluding oil - in 1988 before, of course, taking account of the stock market crash. Last week, after the LBS forecast was completed, we had the CBI October Trends Survey showing increased places on most of the hard indicators. Capacity utilisation was reported to be at its highest since 1979; and shortage of orders was less of a constraint on output than at any time since then. The first small positive balance for employment intentions in manufacturing since 1977 was reported, but complaints of skilled labour shortages have been edging upwards.

The LBS forecast is for a modest current deficit of around £2bn per annum between now and 1991. It believes too that the stock market crash will depress imports slightly more than exports. But it shares the scepticism I have often expressed about whether there is any deficit at all. If the current account is measured by net domestic savings, to which it is identical by definition, the UK has been running an annual surplus of £6bn (and the 'balancing item' should then be attributed to current earnings rather than capital inflows).

The true reason for fearing overheating has been the behaviour of nominal variables: house and share prices, money, liquidity, bank credit, as well as pressures on capacity.

The conclusion from all this will annoy some people. It is that the stock market crash has a silver lining. For by imposing

a slight curb on demand it removes much of the threat of inflation and overheating. On the assumption of no international snowball effects the LBS estimates that less than one third of a per cent will be shaved from the UK growth rate.

Moreover, the greatest impact may turn out to be just where inflationary pressures are strongest: in the housing market, especially in the middle and upper ends in London and the south east. If these come down, not only will inflationary pressure ease, but growth will be better balanced and there will be less chance of wage pressures in the south east bringing the economic upturn to a premature halt.

This is not all. Before, there was a conflict between the Bank of England's worries about excess credit and the policy of capping sterling at DM3 to the pound, which inhibited any increase in interest rates. Now overall spending has been restrained by a bolt from the blue, and so far from needing to raise interest rates, the main question is how much further the Bank should cut them.

On an international scale, it is in fact consoling that the main check to spending from falling stock markets should be in the US, where the need to increase the savings ratio is greatest and, so far, smallest in the surplus economies of Japan and Germany. If in addition there is some budgetary retrenchment in the US and the trade figures presented better, we may be surprised at the speed of improvement in the US balance of payments.

Of course, the threat from the market crash is greater than any silver lining. There is the risk that either fresh stock market collapses or failures of financial institutions will turn a modest check to demand into a major international contraction. To prevent a free fall in the dollar or an international trade or interest rate war will take more statesmanship than has so far been shown.

Given a choice, most of us would have preferred to avoid these risks at the cost of losing the silver lining. As it is let us not ignore the latter.

## A gleam in the eye

From Professor J. McDermid  
Sir, I was concerned that the article "A gleam in the eye" (October 15) might have given its readers some misconceptions or, at least, raised to an unrealistic level hopes for a breakthrough in software productivity or reliability. Consequently I would like to clarify some points concerning software engineering and to challenge some of the assertions in the article.

The goal of software engineering is the construction of systems in a cost-effective and timely manner so that they meet their initial requirements and they can be modified in a controlled fashion to satisfy changes in their requirements. Software systems are among the most complex man-made artefacts. Software is inherently complex for a number of reasons. For example the possibilities for interaction between different parts of the system increase much faster than linearly with the size of the system. Also there is no regularity of structure such as one finds in a concrete or masonry or a multi-storey building.

Perhaps the most salient issue relates to design effort. In a 3000 man year project to build a bridge perhaps one or two per cent of the effort would go into design. In a similar size software development project perhaps one third or one half of the effort would be expended in creative design activities. While the exact figures in different engineering disciplines there is no doubt that the inherent complexity of software and the level of creative talent required to design it make it very hard to achieve the objectives of software engineering. Given the pervasive and critical nature of software it is unsurprising that many claims are made for solutions to, or at least ameliorations of, these problems.

There are fundamental problems in producing an automated software factory, especially the complete automation of essentially creative tasks. In designing a system a software engineer, of course, takes in to account the requisite system functionality. He will also take into account non-functional attributes of the software such as performance, resource usage, and reliability. Much of the expertise applied in design concerns these.

Systems such as the information engineering factory (IEF) do give considerable assistance to development. They concentrate, however, on describing the structure, and to a lesser extent, the functionality of the system. In general they do not deal with non-functional issues. Thus they can assist the software engineer but they cannot replace him (or her). The greatest benefit of this sort of assistance is that it frees professional staff

## Letters to the Editor

from clerical work and allows them to concentrate on the creative and intellectual aspects of the job.

Some software engineering tools, eg GLA, seem to give more assistance to development because, in certain applications, domestic, it is possible to pre-judge some or all of these non-functional design decisions. Thus these classes of tool are very powerful.

I believe that in the long run, it will be possible to produce expert systems which are useful to novice or comparatively inexperienced designers. I cannot accept the article's suggestion, however, that it will be a short time before such systems are commonplace. I believe that the greatest difficulty will be in finding good designers who are capable of externalising and articulating their skills. In other words few good designers know how they make design decisions so it will be difficult to elicit the rules necessary for the expert system.

In most engineering disciplines there is a considerable delay - typically in excess of a decade - between creation of an initial concept and the concept reaching commercial or industrial maturity. Consequently I believe that there will be a considerable change in the capabilities of externalising and articulating their skills before they reach "maturity".

We should not delude ourselves that there are "easy solutions" just around the corner. I believe that there are still inherent difficulties in software development and that it will remain a major intellectual task for many years to come.

John A. McDermid, Department of Computer Science, The University, York.

## High-tech mirage

From Mr B. Paxton  
Sir, The article in your issue of October 25 "Outline of Britain's high-tech mirage" reveals how the distance from Massachusetts gives Anna Lee Saxenian an accurate perception of a phenomenon which has yet to penetrate the consciousness of those who shape our Government's policy for high-tech industry.

Admittedly my company, when a seedling, was given momentum by a Government grant of £17,000 - incidentally, one of the few grants ever to be repaid to the Government in full. The paymasters, however, appear to be swayed by plausible arguments that the principal selection criteria should be to avoid any loss of taxpayers' money.

Consequently the beneficiaries of the bulk of available grant funds are large concerns which are judged to have sufficient mass to generate plausible defences to inquiry in the event of failure.

The problem with plausibility is that it masquerades as fact. The true position is that the managements of large companies have a duty to their employees and shareholders to impede any Government policy which could spawn competitors. It follows then that big outfits will compete vigorously for Government funding and create enough projects to absorb the available funds.

My company is on a recruitment drive and we have recently interviewed several highly talented senior software professionals who are engaged in research projects for large companies, backed by public money. They have come to perceive that these projects are not intended to have a realistic outcome.

But Government backing for the big fish soaks up more than money. It keeps vital technological talent out of the free marketplace, or else prices it out of the reach of the smaller, more productive and innovative technology company.

Bernard Paxton, Telecomputing, 244 Barn's Road, Oxford.

## Engineering training

From the Training Director, Aylesbury Industrial Group Training Centre  
Sir, I was horrified to read (October 27) that once again the Engineering Industry Training Board backs down on monitoring plans. Final decisions on this matter should have first been made in March, were deferred to June and now, once again, decisions have been put off.

I suggest that the 1984 Training Act be implemented in respect of all engineering companies then all skilled men will be trained again, if not our nation will be one of peasants in ten years time.

W. G. Woods, Goshouse Close, Aylesbury, Bucks.

## Travelling in Switzerland

From the Director for UK and Ireland, Swiss National Tourist Office  
Sir, I am very surprised that your newspaper, which is reputed for its integrity and accuracy of reporting, allows rubbish to be printed on the travel page. Robin Lane Fox wrote (Octo-

ber 26) that it would have cost five hours at Geneva airport. I would be most surprised if he indeed travelled by air to Geneva with 50 pieces of luggage. The number of passengers to pay the large sum of £40 at the fee of SF12 (60p) per piece at the left-luggage office at Geneva airport.

Mr Fox also states that it would have cost him another £30 to travel from the airport to Geneva station and return. At the cost of SF15 (£2) for a single journey, Mr Fox's family would have been able to travel to the airport by a private car, or a fact which was not mentioned in the article.

He also, on reference to travel within Switzerland, omitted to report that, when accompanied by a parent, children up to the age of 16 travel free on railways and postal buses, and those between 16 and 25 years can travel at half-fare with a family ticket.

Switzerland has some of the finest skiing areas in the Alps and a reputation for giving good value for money, even against the tide of depreciating foreign currencies which can give the false impression of rising costs in Switzerland. I therefore feel very strongly that it is most unobtainable free of charge from railway ticket offices.

A. Kane, Swiss Centre, New Coventry Street, W1. Robin Lane Fox wrote: That was what I was quoted.

## Double summer time

From Mr K. Lilley  
Sir, With the ending of British Summer Time on October 25 I have seen suggestions that it should in future continue throughout the winter, a view which I support, but I have not seen the idea that we should re-introduce the practice, that I am old enough to remember from the war years, of double summer time.

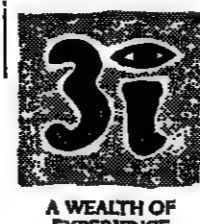
This would mean that we would have BST in the winter and then on the same days as this year move the clocks forward and back one hour thus putting us two hours ahead of GMT in the summer.

There would be the obvious business advantage of then always being in line with most European countries, longer light evenings continuing later in the year to the benefit of those at work during the day, and against the tide of depreciating foreign currencies which can give the false impression of rising costs in Switzerland. I therefore feel very strongly that it is most unobtainable free of charge from railway ticket offices.

K. B. Ward, 88 Narrows Street, E14.

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## In Bangkok on black Tuesday

BLACK MONDAY in New York was a dark Tuesday morning in Bangkok and Mr Richard Goeltz, treasurer of Seagram, was sleeping as soundly as anybody can who runs the financial affairs of a \$6.5bn group of companies and a \$500m set of pension schemes.

Mr Goeltz, in Thailand with a Seagram team negotiating the future of an offshore gas field with the Bangkok government, was woken at 3.30am by a ringing telephone. The market value of his company was tumbling on the New York stock exchange and the company pension funds, which are heavily invested in equities, were contracting almost as fast.

Mr Goeltz, 45, a precise, articulate man with the air of both don and dandy, spoke on the telephone without stopping for the next two hours.

That was one of America's calmer corporate treasurers that day says something about the stability of the Canadian-US company's principal liquor business and its financial strength. The reported earnings of \$42.5m, including a contribution from Du Pont, on sales of \$3.4bn, in the year ended January 1987.

Unusually for a New York financier, Mr Goeltz admits being stunned by the "timing, severity and rapidity" of the October 19 crash. There was nothing to be done about the Canadian funds, which are managed by professionals in Canada, the US and the UK. But he had taken other steps when the outlook was bad that served well when the outlook turned gloomy.

"There was a myth - that we never believed - that demand for beverage alcohol is recession-proof," Mr Goeltz said last week back in Seagram's magnificent headquarters on New York's Park Avenue. "The years 1973-75 showed that was fallacious, but we're a typical consumer non-durable. Though I personally anticipate a recession next year, the company will not be fundamentally affected."

With its worldwide spread of businesses, from Chivas Regal whisky to hotel chains, Seagram is better positioned to take advantage of opportunities and avoid serious problems. Mr Goeltz believes the same can be said for Du Pont.

Financially, Mr Goeltz has been batten down the hatches for some time. In papers prepared for Mr Edgar Bronfman, Seagram chairman, in September 1986, Mr Goeltz warned of the strains imposed on a fragile financial system by the haemorrhaging US external accounts and budget deficit.

He was already a bear of the US dollar, and "essentially got out of all our foreign currency debt" in the spring of 1985. Mr Goeltz had a small release this time last year, when he borrowed \$1.5bn at a large discount to the US market and at a maturity - 90 years - which makes the debt all but indistinguishable from equity. He expects the dollar to weaken further - through DMLG for example - and spent much of that Tuesday morning ensuring that all Seagram's foreign affiliates were taking the party line and "had not touched in some local currency borrowings". The dollar has since fallen to a seven-year low against the D-mark and a record low against the yen.

Meanwhile, Seagram has been paying down or lengthening the maturity of its local-currency debt since last winter, which he says will seem "a pretty good time to borrow long-term". On balance, he fears that the injection of liquidity to rescue the stock-market may keep inflationary expectations alive even in a recession, so that interest rates may not fall as low again.

## UK acts to limit currency losses

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE Bank of England has sought to limit the risk of losses on its intervention in currency markets this year by switching part of its foreign exchange reserves out of dollars and into D-marks and yen.

The Bank's intervention since the start of the year is thought to have totalled between \$18bn and \$20bn, most of which has been added to its foreign exchange reserves.

Official figures due tomorrow are expected to show another sharp rise in the reserves during October.

Most of the intervention has been in the form of dollar purchases.

In part, it reflects the commitment of leading central banks to support the dollar following the Louvre accord among the Group of Seven industrialised nations, but the main aim has been to limit sterling's rise against the D-mark.

In particular, the Bank has successfully held the pound below DM2.00.

Because the market in direct sterling/D-mark transactions is relatively small, the Bank's intervention has mainly been in the form of purchases of dollars. Those purchases indirectly push down the pound's value against other major currencies, including the D-mark.

The Treasury, which owns the reserves, is aware, however, that such a large build-up in dollar holdings exposes the Bank to the possibility of substantial losses if the dollar continues to fall.

Much of the Bank's intervention earlier this year, for example, came when the dollar's sterling rate was around \$1.60. By the end of last week the US currency had fallen to \$1.70, exposing the Bank to sizeable potential losses.

To limit that risk the Bank has been discreetly swapping dollars for D-marks and yen. It has been careful to avoid such operations at times such as last

week when the dollar has been under intense pressure.

A move out of the US currency in those circumstances would undermine the Louvre accord.

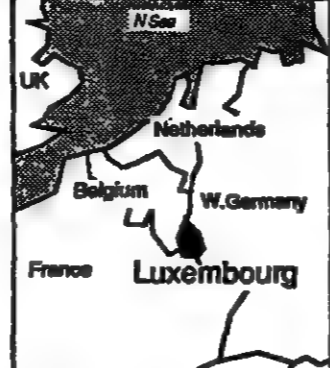
Frequently, however, the pound's strength against the D-mark has coincided with periods when the dollar has also been resilient, allowing the Bank to switch reserves into other currencies without threatening that agreement.

The Bank has consistently declined to comment on the composition of its foreign exchange holdings, but according to one Whitehall source the extent of the recent diversification has been "substantial".

## Luxembourg prepares to set sail

BY TIM DICKSON IN LUXEMBOURG

Seemingly bizarre plans for the land-locked Grand Duchy to become a maritime nation are likely to create more than just a few ripples of amusement in the shipping industry. The scheme to establish a Luxembourg flag is now well advanced.



LAND-LOCKED Luxembourg, a country of lakes and mountain streams but no coastline, is preparing to become a maritime state.

Plans to establish a Shipping Registry in the Grand Duchy - and hence a Luxembourg flag - are now so well advanced that enthusiasts believe a Luxembourg fleet could be sailing the high seas by the middle of next year.

This apparently bizarre scheme, which has been officially approved by the Luxembourg Government, is likely to create more than just a few ripples of amusement in the world's shipping industry.

For the Grand Duchy's ambition is nothing less than to cash in on the growing global pressures for "flagging out" - the term for shipowners in industrialised countries who opt to register their vessels where bureaucratic regulations and tax are kept to a minimum - and to provide a respectable European alternative to flags of convenience such as Bermuda, Panama and Hong Kong.

At present, however, it is already being expressed by the Belgians, whose financially battered shipowners have been kept afloat in recent years only through expensive public sector support - \$175,000 a ship in 1987 alone - and who now see this neighbouring "lifeline" as one means of facilitating a rescue.

The idea of a Luxembourg flag was first considered several years ago, but it was seriously revived only at the beginning of last year when a retired sea

captain, Mr Georges Molitor, was asked by the authorities to draw up a report. He contacted Mr Philip Aspinen, general manager of the West of England Shipowners Mutual Insurance Association in the Grand Duchy, who in turn drew up the feasibility study on which the major political decisions have been based.

Mr Aspinen points out that any state, whether or not it has a coastline, has the right to permit ships carrying its flag to navigate on the high seas, including that other inland country, such as Czechoslovakia and Hungary, have run their own fleets for many years.

The main advantage for Luxembourg would be the development of another niche in its expanding financial services sector - an opportunity which the Grand Duchy's growing army of bankers, lawyers and ac-

countants seems well placed to exploit.

A Shipping Registry might also attract other financial activities, such as trade finance and ship broking, while extra prestige would be involved if Luxembourg was able to achieve the status of an official, or even unofficial, European Community flag.

Tentative discussions have already been held with the Transport Committee of the European Commission in Brussels.

Luxembourg is sensitive to suggestions that it will be providing an artificial haven for shipowners, thereby facilitating the evasion of their fiscal and social responsibilities. General criticisms of the Grand Duchy as a tax haven are always angrily refuted.

The idea is to steer a middle course, explains Mr Aspinen. The procedures would be based on the minimum labour requirements of the interna-

tional Labour Organisation and the United Nations Convention regulating the conditions applicable to the registration of ships. Registration will not be tax-free like Liberia or Panama - the idea is to make it tax efficient.

If a Luxembourg flag is made acceptable to the shipping unions, the question is whether it will interest shipowners who are already being seduced in Europe by other options.

The main interest in the Grand Duchy's ideas at the moment appears to be coming from Belgium, where support for the Government of Mr Wilfried Martens has been greatly concerned at the financial plight of the country's merchant fleet, recently reduced from 2.2m gross registered tonnes to 2m, thanks to flagging out.

Mr Hermann de Croo, the Belgian Transport Minister, is known to consider a move to the Luxembourg flag as the ideal compromise: shipowners could legitimately reduce their crewing costs, improve their financial position and reduce the burden of state support but without the political odium of moving to an out-and-out flag of convenience.

Estimates suggest that the total annual operating savings on the Belgian fleet could be roughly 30,000 tonnes could be saved by 1990 or 25 per cent a year. Such a development would be even more respectable given the close economic and political ties which are established under the 1922 Economic Union between Belgium and Luxembourg.

Mr Vorontsov was reported to have delivered a message from Mr Eduard Shevardnadze and to have briefed Mr Velatov on the Soviet Foreign Minister's call for a ceasefire embodied in the UN Security Council's resolution 598 of July 30.

Before leaving Kuwait for Tehran, Mr Vorontsov had said that the UN Security Council's call for a ceasefire embodied in resolution 598 of July 30 would be implemented "sooner or later". He was critical of the US naval presence in the region,

which now totals 40 vessels, and repeated Moscow's call for an immediate ceasefire to separate the belligerents.

Iran's written reply submitted to the Secretary-General's office at the end of last week was seen as a defeat, according to diplomats at the UN.

Earlier last week, Mr Vorontsov visited Iraq where he apparently found no change of position. Baghdad has insisted that the resolution, which calls for a return to pre-war borders and an exchange of prisoners-of-war, should be accepted in its entirety by Iran and a ceasefire should be unconditional.

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## Moscow envoy holds talks with Iranians

BY RICHARD JONES IN LONDON

A SENIOR Soviet envoy held talks in Tehran at the weekend amid indications that Iran has not given its definitive response to the appeal for a ceasefire made by Mr Javier Perez de Cuellar, the UN Secretary General.

Mr Perez de Cuellar's efforts to bring an end to the fighting in the Iran-Iraq border conflict have been hampered by the UN Security Council's resolution 598 still appear deadlocked. Failure to work out a compromise is expected to lead to renewed diplomatic pressure by the UN and the UK for an arms embargo against Iran.

Mr Perez de Cuellar is scheduled to meet separately with Iranian and Iraqi delegates to the UN today to discuss replies to his most recent proposals.

Sir Geoffrey Howe, the British Foreign Secretary, accused the UN of "double standards" in structuring the enforcement of the

resolution. The Soviet Union has not so far been willing to get down to work on an arms embargo to be imposed if the Security Council's efforts fail, he said in Cairo after talks with President Hosni Mubarak of Egypt.

However, a note of optimism was struck by Mr Giulio Andreotti, the Italian Foreign Minister, who expressed the belief that the UN was "within days" of securing an accord on a ceasefire. Mr Andreotti held the press conference in the UN Security Council last month and had seen the replies of both countries.

The US, meanwhile, suffered a setback in its campaign to isolate Iran economically and politically when Japan confirmed that it would not join in the sanctions announced a week ago by President Ronald Reagan.

Yesterday's meeting between Mr Yuli Vorontsov, Soviet First

Deputy Premier, and Mr Ali Akbar Velatov, the Iranian Foreign Minister, coincided with the expiry of the 15-day deadline set by Mr Perez de Cuellar for an unequivocal answer from Iran and Iraq to proposals he put forward on October 15.

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## Italian senators reject budget proposals

BY ALAN FRIEDMAN IN MILAN

THE ITALIAN Government's 1988 budget legislation has been rejected by the Senate Finance Committee, which has suspended work on it and told the Administration led by Prime Minister Giovanni De Michelis to rewrite the proposal and impose more rigour on public spending.

The unusual rejection of the legislation - the budget normally goes through several months of negotiation and amendment but not outright rejection - comes amid rising tension inside the coalition Government.

In addition to the embarrassment over the budget, the leaders of the Christian Democrat and Socialist parties traded insults at the weekend over the

Cabinet's failure on Friday to agree on a law to guarantee public services in the face of widespread disruptions of air and train traffic in Italy. A five-hour cabinet meeting was prevented by the Socialists from approving a law proposed by the Government to require 15 days' prior notice by unions whose strikes affect public services.

Mr Bettino Craxi, the former premier and Socialist party leader, explained at the weekend that he had not been consulted about the law, which in any case the Socialists feel should first have been discussed with union leaders. Mr Ciriaco De Mita, the Christian Democrat leader, claimed the

Socialists had previously agreed to the Craxi proposal and that Friday's impasse represented an "about face".

Tensions over the much-criticised budget proposal (which has even drawn fire from the Bank of Italy), the crippling airport and train strikes and next week's referendum on nuclear energy and judicial reform, have combined to create an atmosphere of pronounced political instability inside the five-party coalition.

Mr Giuliano Amato, the Treasury Minister and the most senior Socialist in the Government, has himself been critical of the 1988 budget plan and said at the weekend that the Government "must now take into consideration the (Senate) commit-

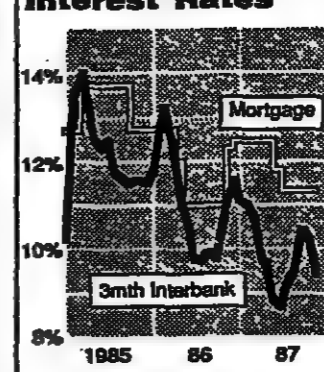
tee's indications." He said the budget, which was presented by a Government at the end of September, must be rewritten within one week so that the Senate can resume its work and act by November 25.

There are three key articles most likely to be revised in the public sector deficit may be brought down from 1,109,500bn (nearly 198bn) to around 1,100,000bn by new taxes and further spending cuts; the increase in value-added taxes, which has been criticised by the Governor of the central bank as contributing to a "mechanical rise in inflation", may be eliminated; and proposed cuts in the level of IRPEF, the Italian income tax, may be abandoned.

## THE LEX COLUMN

## US takes stock of itself

Interest Rates



Mr John Reed, chairman of the US Bank Citicorp, told the world last week that he had known for six months that equity values had to lose as much as a quarter of their value. One could have wished that he had shared this insight with members of the investing public six weeks ago, when they subscribed for 30m Citicorp shares at \$38 1/4 a share. Last Friday Citicorp stock closed 31 per cent below that level, and Citicorp is now in the market as a buyer of its own shares.

Of course, Citicorp and the dozens of other major US companies which stepped into the stock market to buy their shares immediately after the drop in Wall Street on October 19 do not see their action in this negative light. Rather, they regard the massive drop in their share prices as totally unjustified and, no doubt helped by some official behind-the-scenes prompting, argue that their actions were designed to restore the confidence of both investors and employees.

Between October 19 and October 20, 276 new stock repurchase programmes were set up to retire \$2.2bn of US equities, according to Salomon Bros. This compares with 207 such programmes totalling \$38.5bn announced in the first nine months of 1987, and the \$4.2bn of share buybacks announced in all of 1986.

The US is one of the few countries which allows its corporations to buy back their shares in substantial quantities. The 1986bn or so of equity which has been retired over the last three and a half years played a big part in fuelling the Wall Street boom.

The big attraction of this device is that companies are able to boost their earnings per share, making themselves look more attractive to investment analysts. However, it also means that they are shrinking their equity base, and while the unprecedented level of US corporate buybacks over the last fortnight clearly helped stave the panic selling on Wall Street, it will not be enough to prop up the long-term bear market. Indeed, given the relatively high debt levels of corporate America, shareholders might be better advised to look for a repurchase of their cash or used to repay debt, especially if the US is heading for a recession. Citicorp, in particular, has capitalised on a Third World debt exposure which would greatly benefit from an expansion of its equity base.

Despite these caveats, there

are strongly financed companies which can justify repurchasing their shares on the basis that it improves shareholders' net asset values and earnings per share. In the UK, companies have limited powers to buy back their shares and only a handful, such as GEC and J. Rothschild Holdings, have availed themselves of the opportunity. Tax angles apart, there could be a case for Glaxo, for instance, following the example of Merck of the US and using some of its rapidly growing cash pile to buy back its shares. Glaxo's earnings multiple may still be too high to justify this sort of action, but it would at least give shareholders the choice of whether or not to invest their money by proxy in US treasures.

Building societies

The dramatic drop in the building societies' share of new mortgage lending, from 85 per cent in 1984 to around 50 per cent now, has led to real fears about the long-term survival of one of the more delightful species of British financial institution. The combination of a stock market boom, which has sucked small savers' money into more risky investments, and the aggressive inroads of new-style specialist mortgage lending institutions, has left many of the smaller building societies wondering where they fit in the brave new financial landscape.

The two year-old National Home Loans Corporation (NHL), which last week reported a 100 per cent increase in its over £1.2bn (\$2bn) of mortgages and was making new mortgages at the rate of close to £150m a month, is typical of the specialist mortgage lenders which are now giving the societies a run for their money. It does not have the heavy overheads of a typical building society branch struc-

ture and, through its links with the life companies and an increasing number of banks, it can rely on a plentiful supply of good quality new business.

However, there are signs that the competitive advantages of specialist mortgage lenders may have peaked. The collapse in share prices is likely to blunt the phenomenal growth of unit trusts and the societies should be able to capitalise on their well-deserved reputation as a safe haven for the small investor in times of financial trouble. This could reduce, if not abolish, the financing advantages of the competition, and the only real danger for the societies could be that they lose the confidence of their customer base by over-ambitious expansion outside their traditional marketplace.

BA/BCal

Since British Airways first courted British Caledonian, the former has clearly been the latter's preferred partner in life. So the revelation that BCal was in active discussions with alternative buyers, as well as raising some much needed cash by selling its hotel operations, suggests that it is not sanguine about the chances of the merger going ahead as planned. The likelihood is that the Monopolies Commission, which is due to hand over its report to the Government this week, will allow the merger but could attach such onerous conditions that BA may no longer wish to go ahead.

The most obvious problem is what happens to the long haul routes such as London-Tokyo and London-New York, operated by both airlines. BA would dearly like to get them to itself, but that would mean Britain giving up hard-won dual designation as well as taking an anti-competitive step. If the commission insists that a combined BA/BCal must compete with another airline on those routes, much of the point of the merger is lost. Even if a new operator on those routes found it so expensive to get established that it was soon in as perilous a financial state as BCal, BA might never see its way clear to running them alone.

BCal has no option but to find a stronger partner, given its horrendous balance sheet. And as airlines' profits are highly geared to the world economy, a slowing of growth argues that BA needs to acquire some new operations if it is to expand. Given the present miserable rating of its paper, it could hardly be a worse time for BA to do so.

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2nd November, 1987

## World Weather

Area	Temp	Wind	Cloud	Pres	Humid	Visib	Notes
Amsterdam	10	10	10	10	10	10	10
Antwerp	10	10	10	10	10	10	10
Athens	10	10	10	10	10	10	10
Bombay	10	10	10	10	10	10	10
Buenos Aires	10	10	10	10	10	10	10
Calcutta	10	10	10	10	10	10	10
Canton	10	10	10	10	10	10	10
Cebu	10	10	10	10	10	10	10
Colon	10	10	10	10	10	10	10
Hankow	10	10	10	10	10	10	10
Hong Kong	10	10	10	10	10	10	10
Kobe	10	10	10	10	10	10	10
London	10	10	10	10	10	10	10
Lyons	10	10	10	10	10	10	10
Manila	10	10	10	10	10	10	10
Medan	10	10	10	10	10	10	10
Osaka	10	10	10	10	10	10	10
Panama	10	10	10	10	10	10	10
Peking	10	10	10	10	10	10	10
Perth	10	10	10	10	10	10	10
Rangoon	10	10	10	10	10	10	10
San Francisco	10	10	10	10	10	10	10
Singapore	10	10	10	10	10	10	10
Sourabaya	10	10	10	10	10	10	10
Tokyo	10	10	10	10	10	10	10
Yokohama	10	10	10	10	10	10	10

## Deng triumphs Continued from Page 1

ling through the motions. Diplomats were surprised by the scope of the changes, which have affirmed the value of the economic and political reform programme initiated in late 1978 and have expanded last week to include proposals for wide-ranging curbs on the party's power. Most surprising is that such a victory has been achieved in a year marked by brutal party infighting, a tough campaign against western influence, and the fall in January of Hu Yaobang, the Communist Party General-Secretary. Hu is likely to be formally replaced as party chief today by

Zhao Ziyang, who presided over the congress's closing ceremony, and who will retain the position of Premier until early next year. Hu Yaobang is likely to lose his place on the Politburo Standing Committee today and could even be dumped from the Politburo itself although he was not among those forced off the Central Committee. For some of the retiring officials, Long March veterans among them, the ceremony yesterday brought to an end party careers lasting more than 60 years, and careers studded with purges and political resurrections.

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## SECTION II - COMPANIES AND MARKETS

## FINANCIAL TIMES

Monday November 2 1987

**KIER**CHANGING THE FACE OF BUILDING  
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## INTERNATIONAL BONDS

## Problem of oversupply again thrown into sharp relief

THE TURMOIL in both the international government bond and equity markets over the last couple of weeks could fairly be described as shattering. But how much effect has it had on the Eurobond market?

The most obvious immediate consequence has been a reduction in liquidity in the Eurodollar sector. The question is whether this should be viewed as a serious blow to a system already in disarray.

No one doubts that during the bull market conditions of the mid 1980s too many Eurobonds were issued, and too many of them were priced on terms that stood little chance of attracting investors. Inevitably, many of them have never seen active secondary market trading.

During the stockmarket crash - but not for the first time this year - the residual problem of this oversupply was thrown into sharp relief. In contrast to most of the centralised marketplaces, the Eurodollar

bond market at various points simply ceased to trade.

For Mr Hans Joerg Rudloff, deputy chairman of Credit Suisse First Boston, this underscored yet again how far the Eurobond market had become divorced from its investor base. "The appearance of liquidity in the Eurobond market was really based on the speculative activity of financial intermediaries," he said.

It is, of course, harder to keep Eurobonds liquid than government bonds simply because their issue sizes are so much smaller.

And the volatility in the US Treasury market left Eurodollar traders without recourse to their usual method of evaluating bonds, the yield spread relative to the US government market.

Mr Dante Montalbetti, head of trading at Merrill Lynch International, said: "The market's traditional reference point was torn away from it."

The volatility in US Treasury bonds also meant that the market's usual technique of hedging long po-

sitions by selling US Treasury bonds short became impracticable. This was a consequence of a drying-up of stocklending by US investors to US investment banks.

The result was that yield differentials in relation to US Treasury bonds widened dramatically. This was most marked amongst the less-creditworthy, where differentials widened by as much as 50 basis points, but spreads even on better quality names also widened by between 10 and 20 basis points.

Another result was that dealing sizes were curtailed, and bid/offer spreads widened out. For example, dealers who would once have quoted for the most liquid issues, prices in sizes of \$5m, on spreads as narrow as 10 basis points, now quoted them in \$1m on 30 basis point spreads.

In the less liquid issues, bid/offer spreads widened out to around one full percentage point, and many dealers took the opportunity to drop trading them altogether.

EUROMARKET TURNOVER (\$m)				
Primary Market	Govt	PRM	Other	
US\$	2,008.3	670.7	432.8	6,312.2
FRF	1,588.8	242.8	756.0	5,143.3
DM	1,422.7	8.4	271.1	508.2
Other	950.2	144.8	271.1	508.2
Secondary Market	Govt	PRM	Other	
US\$	26,933.0	24,024.4	22,384.9	8,710.0
FRF	25,557.7	12,941.4	14,765.6	6,244.9
DM	27,499.5	1,537.5	4,785.6	17,554.5
Other	17,794.8	1,280.7	3,986.5	14,141.5
Total	Govt	PRM	Other	Total
US\$	31,371.1	25,512.2	22,384.9	70,289.3
FRF	31,215.5	14,182.8	19,551.2	64,949.5
DM	30,017.2	1,546.3	6,767.1	38,330.6
Other	18,261.2	2,828.0	8,772.6	29,861.8

Source: AIBD

Week to October 29, 1987

It now remains to be seen whether the market will be able to get back to normal. As far as the largest and the best quality issues are concerned, dealers say they are likely to emerge relatively unscathed. Indeed, a marked narrowing in spread levels on sovereign and supranational issues had already occurred by the end of last week.

The long-term consequences for

bonds issued by lesser quality credits may, however, be more severe. At the end of last week, their prices were improving slightly as US investors moved in to buy them, attracted by the yield pick-up they were offering over alternatives in the US domestic bond market.

This was because, where yield spreads in the Yankee market had widened by around 25 basis points, those on comparable Eurobonds widened by around double this amount.

Nevertheless, most dealers were expecting last week that the trend towards a two-tier market, that has already become clear over the last year, would accelerate as a result of the crisis of the last two weeks.

This is giving rise to a clear split in the market between actively traded, high quality names, and more illiquid lesser quality issues, trading on much wider yield spreads.

The technical trading problems suffered by the Eurobond market over the last two weeks are just the

most immediate aspects of the possible disturbance caused by the recent turbulence in financial markets.

Dean Witter Reynolds last week joined the increasing number of players who have already pulled out of the overcrowded Eurobond market. Meanwhile, an untold number have been retrenching their operations.

Now that many securities houses are facing severe losses on their other securities operations, it seems inevitable that the viability of their involvement in the Eurobond market will come under even closer scrutiny.

Mr Rudloff is certainly expecting a severe contraction in the market, to around 10 or 15 "genuine" market makers. Currently, there are well over 100 houses which profess to make markets.

It is, of course, too early to evaluate the effects on the primary market at the moment. The turmoil in the secondary market has made pri-

cing new dollar issues almost impossible.

Meanwhile, associated swaps have been difficult to arrange since the swap market has been destabilised by increased concern about counterparty risk in the light of turmoil in financial markets.

Mr Rudloff, however, is expecting a considerable reduction in issuing volume. He suggested this could be down by as much as 50 per cent over the next year.

However, so pessimistic a view of the prospects for the new issue market is not universal. For instance, Mr Sheldon Prentice, managing director at Salomon Brothers International, says: "Over the last three or four years this market's been a pretty efficient way of raising money for an awful lot of people. I don't see that disappearing forever."

But most syndicate managers are expecting a trend to smaller syndicates.

Clare Pearson

## Control of Chapelle Darblay to change

By Paul Betts in Paris

CONTROL of Chapelle Darblay, the troubled French newspaper manufacturer, is expected to change hands this week following the decision by Mr John Kila, the Dutch Canadian industrialist who took control of the company three years ago, to abandon his 42 per cent stake in the group.

Chapelle Darblay is now expected to be taken over by a partnership of the French Financière pulp company and the Canadian Cascades paper-making concern.

Mr Kila had fought bitterly to stay at the helm of Chapelle Darblay, but in the end the opposition of the French Government, which owns 33 per cent of the company and has put up some FFf 2bn (\$345m) in state subsidies in the recent years, proved too much.

The company faced increasingly tough liquidity strains after the French Government had decided to freeze further subsidies. Mr Alain Madelin, the French Industry Minister, was keen to find a solution to salvage France's biggest manufacturer of newsprint which would involve no more state subsidies and the departure of Mr Kila.

Mr Kila finally threw in the towel after the Government had engineered a takeover plan for the paper group by the Financière-Cascades partnership.

The Government now intends to shed its 33 per cent stake in the company while Paribas, the French financial group, is also expected to dispose of its large stake in the newspaper maker.

After receiving substantial subsidies from the previous Socialist Government, Chapelle Darblay had become a test case of the new right-wing Government's liberal free market industrial policies aimed at ending state subsidies to troubled enterprises.

Alexander Nicoll

## EUROPAPER AND CREDITS

## Flight to quality tightens rates on sovereign paper

THE FLIGHT to quality in financial markets since the global stock market crash has pushed rates on sovereign Eurocommercial paper to new lows and made for a busy issuing period in all types of good-quality short-term paper.

Eurocommercial paper dealers say the best sovereign issues, such as Sweden and French state names, have been obtaining rates as low as 30 to 35 basis points below London interbank bid rates. Sweden, by comparison, would normally issue at 15 to 18 below Libid. Denmark's paper has tightened to 30 below Libid from around 10 normally.

There has, however, been little effect on margins for corporate paper. Rates for top corporate issuers - rated A1 plus and P1 by Standard &

Poor's and Moody's Investors Service respectively - have stayed around Libid, though the absolute rates have obviously fallen in line with the markets.

One reason for increased demand for sovereign paper is probably that central banks, which are prominent buyers, have plenty of dollars to invest as a result of heavy intervention to support the dollar on the foreign exchange markets.

However, other buyers, too, have been seeking sovereign paper as well as top-rated corporate names. Corporates and investment managers, perhaps after liquidating share portfolios, have been seeking liquid, safe, short-term investments.

Issuers, however, have not been taking advantage of lower rates to issue as extensively large amounts.

They may be unmoved by the volatility of interest and exchange rates and consequently feel it better to do nothing for the time being.

One lesson which dealers draw from recent experience is a reinforcement of their message to corporate issuers that they should obtain credit ratings.

Dealers obtained another weapon in their armoury with the publication of the first official estimates of the size of short-term Europaper actually in issue. The figures underlined the market's rapid growth.

According to the Bank for International Settlements, which based its data on estimates from Euroclear, the volume of paper in issue doubled to \$42bn in the year to end-June. The total includes Eurocommercial paper, notes issued through

underwritten facilities, and medium-term notes.

The BIS noted that the \$21bn growth was equal to nearly 60 per cent of the expansion in the much larger US commercial paper market.

In syndicated credits - also expected to benefit from the stock market crash - the flow of new transactions remained fairly slow last week. There was, however, a rash of deals backing UK mortgages.

Mortgage Funding Corporation, a company established by (though not owned by) Kleinwort Benson to fund mortgages originated by others, mandated Samuel Montagu, Banque Nationale de Paris and Sumitomo Bank for a \$150m five-year revolving credit.

It carries interest of 27.5 basis points above Libor, with fees payable if the facility is not fully drawn.

Central Capital Mortgage Corporation, a subsidiary of a Canadian financial services group, appointed SG Warburg to arrange a \$30m three-year revolving credit to back UK mortgages, with a margin of 45 basis points above Libor. City and Provincial Home Loans mandated Bank of America International for a \$25m five-year credit with a 40 basis point margin.

United Newspapers of the UK is to have a \$200m fully underwritten multiple-option facility arranged by Samuel Montagu. The five-year credit has a maximum margin of 12.5 basis points over Libor, a utilisation fee of 5 basis points for over

half usage, and a facility fee of 1.5 basis points on "available" amounts and 5 basis points on "unavailable."

In France, the Ecu450m credit for Lafarge Coppes, for which Credit Commercial de France is arranger, has swiftly obtained commitments of nearly Ecu600m. They will be scaled down.

Trans-Tunisian Pipeline, a venture involving the Italian company SNAM, has mandated Bankers Trust International for a DM500m five-year loan with a margin of 12.5 basis points over Libor, with a currency option which produces sub-Libor funding for the borrower.

One deal which might have been expected to suffer from the stock market crash was the \$485m bank funding being arranged as part of

the management buy-out - Britain's biggest ever - of MFI, the UK retailing group.

Chemical Bank is leading six other lead underwriters in a deal which has an average life of 5 1/2 years and is believed to have a margin, including guarantee commissions, of over 1 1/4 per cent.

In general syndication, banks have taken up some \$300m, exceeding the sell-down targets of the lead managers with a few more still to come through with commitments.

Some banks are believed to have reduced their commitments substantially after the crash, but this appears to have prevented a large oversubscription rather than harming the deal.

Alexander Nicoll

This announcement appears as a matter of record only.

26th October, 1987

**BRIDGESTONE****BRIDGESTONE CORPORATION****U.S. \$100,000,000****3 1/2 per cent. Notes 1992**

with

**Warrants**

to subscribe for shares of common stock of Bridgestone Corporation

**Issue Price 100 per cent.****Yamaichi International (Europe) Limited****Merrill Lynch Capital Markets****Algemene Bank Nederland N.V.****ANZ Merchant Bank Limited****Arab Banking Corporation (ABC)**  
Capital Markets Group**Banque Paribas Capital Markets Limited****BNP Capital Markets Limited****James Capel & Co.****Citicorp Investment Bank Limited****Daiwa Europe Limited****DKB International Limited****Dresdner Bank Aktiengesellschaft****Fuji International Finance Limited****Goldman Sachs International Corp.****Kleinwort Benson Limited****Kyowa Finance International Limited****Morgan Grenfell & Co. Limited****Morgan Stanley International****The Nikko Securities Co., (Europe) Ltd.****Nomura International Limited****J. Henry Schroder Wagg & Co. Limited****Société Générale****Sumitomo Finance International****Swiss Bank Corporation International Limited****Swiss Volksbank****Union Bank of Switzerland (Securities) Limited****Westdeutsche Landesbank Girozentrale****STEFANEL S.p.A.**

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**16,000,000 Ordinary Shares of Lire 1,000  
par value each**

of which

**6,000,000 Shares  
are being offered outside Italy  
"International Tranche"**

Offer Price Lire 8,500 per Share

**Swiss Bank Corporation International Limited****Banque Paribas Capital Markets Limited****Dresdner Bank Aktiengesellschaft****Girozentrale und Bank der österreichischen  
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New issue

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October, 1987

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New Issue

30th September, 1987

ECU 100,000,000

## General Motors Acceptance Corporation

(Incorporated in the State of New York, United States of America)

7½ per cent. Notes due September 29, 1989

Issue Price 101 per cent.

Union Bank of Switzerland (Securities) Limited

Banque Bruxelles Lambert S.A.

Banque Paribas Capital Markets Limited

Crédit Lyonnais

Merrill Lynch Capital Markets

Nomura International Limited

Bank of America

Banque Générale du Luxembourg S.A.

Banque Indosuez

Caisse Centrale des Banques Populaires

Credit Suisse First Boston Limited

Daiwa Europe Limited

EBC Amro Bank Limited

Generale Bank

Mitsubishi Finance International Limited

Morgan Stanley International

Sanwa International Limited

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New Issue

15th September, 1987

Can. \$100,000,000

## General Motors Acceptance Corporation of Canada, Limited

(Incorporated under the laws of Canada)

10½ per cent. Notes due December 15, 1992

Guaranteed as to  
payment of principal and interest by

## General Motors Acceptance Corporation

(Incorporated in the State of New York, United States of America)

Issue Price 101½ per cent.

Union Bank of Switzerland (Securities) Limited

Chemical Bank International Group

Dominion Securities Inc.

McLeod Young Weir International Limited

Shearson Lehman Brothers International

Wood Gundy Inc.

Bank Brussel Lambert N.V.

Banque Générale du Luxembourg S.A.

Banque Internationale à Luxembourg S.A.

Chase Investment Bank

Crédit Commercial de France

Credit Suisse First Boston Limited

Dresdner Bank Aktiengesellschaft

Generale Bank

Hambros Bank Limited

Morgan Stanley International

Swiss Bank Corporation International Limited

Toronto Dominion International Limited

This announcement appears as a matter of record only.

New Issue

25th October, 1987



## Union Bank of Switzerland

(Incorporated in Switzerland)

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with Warrants to acquire

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Banque Bruxelles Lambert S.A.

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Commerzbank Aktiengesellschaft

Crédit Commercial de France

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Credit Suisse First Boston Limited

Daiwa Europe Limited

Deutsche Bank Capital Markets Limited

Dominion Securities Inc.

Dresdner Bank Aktiengesellschaft

Goldman Sachs International Corp.

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Morgan Guaranty Ltd

Morgan Stanley International

Nomura International Limited

Salomon Brothers International Limited

Shearson Lehman Brothers International

Swiss Bank Corporation International Limited

S. G. Warburg Securities

Wood Gundy Inc.

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New Issue

30th July, 1987



## Household Finance Corporation

US\$100,000,000

8¼% Notes Due July 30, 1990

Issue Price 101¼%

Union Bank of Switzerland (Securities) Limited

Commerzbank Aktiengesellschaft

Goldman Sachs International Corp.

Shearson Lehman Brothers International

Algemeene Bank Nederland N.V.

Banque Bruxelles Lambert S.A.

EBC Amro Bank Limited

Westdeutsche Landesbank Girozentrale

Chase Investment Bank

Compagnie de Banque et d'Investissements, CBI

Crédit Commercial de France

Deutsche Girozentrale—Deutsche Kommunalbank

Leu Securities Limited

Swiss Volksbank



## INTERNATIONAL CAPITAL MARKETS &amp; COMPANIES

WAY CLEARED FOR LINK WITH PIEDMONT

## USAir merger approved

BY JAMES BUCHAN IN NEW YORK

THE US FEDERAL Government has approved the creation of the country's fifth-largest domestic airline by overruling an administrative law judge who complained that the merger of USAir and Piedmont might cut competition.

The \$1.51bn merger will make an airline which will be a powerful force in much of the eastern US. The merger gives USAir, which does its prime business through Pittsburgh, easier access to such important airports as La Guardia in New York and National in Washington.

Friday's decision by the Depart-

ment of Transportation surprised the industry because it set no conditions for the merger - despite growing political opposition to the consolidation that is reshaping US commercial air traffic.

Congress and the Administration have been flooded with complaints from the public that the mergers have led to higher fares and worse service.

USAir, and Piedmont, whose chief airport is Charlotte, North Carolina, agreed to merge in March with USAir paying \$60 a share for the smaller carrier. But in September Mr Ronnie Yoder, an adminis-

trative law judge, ruled that the merger raised questions of competition and said that the department should reject it.

Pan American World Airways, the sorely troubled airline which is attempting to attract an infusion of capital, is enjoying a strong upturn in its operations thanks to an improvement in load factor in the third quarter from 60 per cent to 71 per cent.

Pan Am said it expected earnings to rise 10-fold to at least \$63m in the third quarter on an increase in revenues from \$886m to \$1.05bn.

## Pargesa sees good progress this year

BY WILLIAM DUFFLORCE IN GENEVA

PARGESA, the Swiss holding company for the financial and industrial group led by Mr Albert Frère of Belgium and Mr Gérard Eskenazi of France, booked consolidated net earnings of SF125m (\$57m) in the first half of 1987, an advance of just under 21 per cent over the same period last year.

Net earnings per share were SF114.30 compared with SF98.70. Annual results cannot be extrapolated from the half-way figures because of the seasonal nature of the income from Pargesa's shareholdings, but the company expects that both net profit and earnings per

share will "progress favourably". Last year Pargesa posted net income of SF148m and earnings per share of SF190.58.

Earnings per share have been protected since the beginning of this year by "appropriate currency hedges" and the stock market crisis should not materially affect budgeted profits, the company stated.

Both Pargesa and GBL are participating in Henry Ansbacher's \$85m capital increase, which, Pargesa said, should give the merchant bank the resources and liquidity it needed to have a more significant presence in the UK.

## Telefonica in 27% nine month advance

By David White in Madrid

TELEFONICA NACIONAL de España, which has been forced to call off a major rights issue, following the sharp decline in its share price, has increased net profits by 27 per cent for the first nine months of 1987.

The earnings figure of Ptas46.19bn (\$402m) exceeded the company's full-year 1986 profits of Ptas5.25bn, and came after a 20 per cent rise in depreciation charges to Ptas118bn. Gross cash flow was 24 per cent higher at Ptas186bn, on turnover 15 per cent up at Ptas398bn. Turnover for the year is forecast at about Ptas550bn compared with Ptas450bn last year.

As a result of the share slide, Telefonica has postponed a one-for-ten rights issue totalling Ptas64.5bn, subscriptions for which were due to open on November 7. The new shares were to be issued at 160 per cent of par.

Telefonica said it would seek alternative financing through bond issues and that it intended to press ahead with an ambitious Ptas1,070bn investment plan for the four years to the end of 1991.

## Canadian textile group in \$130m takeover

BY ROBERT GIBBENS IN MONTREAL

CANADA'S largest textile company, Dominion Textile, whose joint US\$2.8bn bid for Burlington Industries failed last summer, is buying the Wayne-Tex division of Waynesboro Textiles for US\$130m.

Wayne-Tex is a leading maker of polypropylene woven fabrics, used for cotton backing and packaging farm products. It has also entered the lightweight non-woven market for medical, consumer and industrial uses.

The company is based in Waynesboro, Virginia. Domtext said the acquisition was part of its

strategy to expand its industrial products base in the US.

Revenues were C\$600m (US\$504.5m), up from \$420m a year earlier, and net profit was C\$40.2m or C\$1.05 a share against C\$19.6m or 70 cents a share.

Third-quarter earnings equalled 35 cents against 25 cents. Average shares outstanding in the nine months totalled 23m against 22m.

Total assets of Montreal Trust, part of the financial services group of Montreal financier Mr Paul Desmarais's Power Corporation of Canada, reached \$7.5bn, up from \$6.3bn a year earlier.

Each of the company's divisions, from fiduciary services to real estate and money management, produced strong gains in performance.

©The boom in construction in Ontario and many parts of the northeastern US enabled St Lawrence Cement - the Canadian

arm of Swiss-based Holderbank Group - to post peak earnings in the first nine months. Net profit was C\$50.1m or C\$1.25 a share, up from C\$30.2m, or 75 cents a year earlier on sales of C\$500m against C\$427m.

Constant consumption was up 24 per cent in Ontario and Quebec, and 8 per cent in the east. US, the company said. Order backlog remains strong.

While housing starts are declining, industrial and public sector construction markets should build up well into 1988.

## Noranda strongly ahead

BY OUR MONTREAL CORRESPONDENT

NORANDA, the big Canadian resources and industrial group, is feeling the benefits of higher primary product prices, especially for pulp and paper. As a result, profits for the first nine months of 1987 have risen to C\$221m or C\$1.35 a share on revenues of C\$3.4bn.

This strong performance compares with C\$22.5m or 18 cents a share a year earlier, including a C\$26.5m special gain, on sales of C\$4.7bn.

Third-quarter profits of C\$69.5m or 35 cents a share compared with C\$4.7m a year earlier, when nothing was available

for the common stock after preferred dividends. Sales for the quarter were C\$1.9bn against C\$1.5bn.

Noranda said all its metals, forest products and industrial operations contributed to the improvement this year, except Canadian Hunter, its oil and gas subsidiary.

The company has reduced its debt burden by C\$2bn over the past 18 months.

The outlook for the fourth quarter is good, the company said. The quarterly dividend is going up from 12½ cents a share to 20 cents.

## Renouf drops Impala bid

BY OUR FINANCIAL STAFF

RENOUF Corporation of New Zealand has cancelled its HK\$18 a share offer for Impala Pacific Corporation of Hong Kong. In a related development, Impala announced that, despite Renouf's decision, it would sell a 41.5 per cent stake in Goode Durrant of the UK to Ariadne Australia.

Renouf's announcement triggered an angry reaction from Hong Kong's committee on takeovers and mergers. Mr Ray Astin, securities commissioner, said it was a violation of the colony's takeover code to announce publicly the withdrawal

of an offer without first presenting an explanation of the decision to the takeover committee.

Mr Astin said Renouf had been notified of this prior to the withdrawal announcement but had decided to proceed with the announcement anyway. He said Renouf's legal and financial advisers had disassociated themselves from their client's action and had resigned.

Impala Pacific said that it had agreed to sell its interest in Goode Durrant for \$48.5m. The sale is being made under an earlier agreement between Impala and Ariadne.

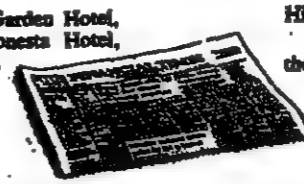
## NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
<b>US DOLLARS</b>							
Canvas 117+	30	1992	5	(b)	100.1	Mitdel Trust Int.	-
Guaranteed Rev. 1+	140	2037	50	(d)	100	Merrill Lynch	-
<b>NEW ZEALAND DOLLARS</b>							
BFC Overseas Inv. 1+	225	1992	5	(e)	100.10	Morgan Guaranty	-
Bank of New Zealand 1+	210	1990	3	(f)	100.10	Warburg/Bk of NZ	-
Bank of New Zealand 1+	210	1990	3	(g)	100.20	Warburg/Bk of NZ	-
<b>DEUTSCHE MARKS</b>							
News Int. 1+	100	1992	5	6%	99%	Deutsche Bank	6.746
World Bank 1+	250	1993	6	6%	100%	DB Bank	6.199
<b>SWISS FRANCES</b>							
Continental Health 1+	20	1995	-	(7)	(100)	Bge Gutzwiler, K.S.	-
Sandhurst Mining 1+	20	1994	-	6%	100	Bge Gutzwiler, K.S.	6.000
Hayes Resources 1+	40	1992	-	5%	100	Banking Indosuez	5.191
Metals Corp. 1+	100	1993	-	(8)	(100)	Hartmann-Bank	-
Prov. of St. Gallen 1+	100	1997	-	5%	100%	Wirtschafts- und P.Bk.	5.151
Sell Canada 1+	100	1993	-	5%	100	UBS	5.125
Austria 1+	150	1992	-	4%	100	Credit Suisse	4.750
<b>GUILDS</b>							
World Bank 1+	300	1997	10	7	100	ABN	7.000
<b>LUXEMBOURG FRANCES</b>							
Sennar Aliberti 1+	700	1992	5	7%	100	Bge Int. Lax.	7.500
<b>FINNISH MARKS</b>							
World Bank 1+	300	1992	5	9%	101	Pastipankki	9.564
<b>STERLING</b>							
Red House Loans 1+	100	2014	7	(c)	100	Morgan Guaranty	-
McDonald 1+	50	1992	5	9%	101.2	BZW	9.361
<b>YEN</b>							
Italy 1+	1500m	1992	4%	5%	101%	Moneta Int.	5.439
Italy 1+	1500m	1992	5%	(d)	100.10	Moneta Int.	-
Chugoku Elec. Power 1+	200m	1992	5%	(h)	100	Morgan Guaranty	-
<b>ECU</b>							
ENEL 1+	100	1997	10	8%	101%	Bge. Paribas	8.150
ENEL 1+	200	1992	5	8%	99	Bge. Paribas	8.252

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NEW ISSUE

OCTOBER 1987

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## Ralph Atkins on the next stage of Bernard Matthews development Three-pronged assault on the topside

"Simplicity makes money," says Mr Bernard Matthews, Britain's turkey king and international purveyor of high-technology meat products. "Complications do not."

The success of this business recipe is easy to see. His group has grown rapidly by selling basic products prepared using cost-effective methods and spiced with a distinctive brand name.

Measured in turkeys, the business has expanded from a dozen eggs in 1950 to about 8m birds this year. In more orthodox units, turnover has grown from £4.5m in 1971, when the group went public, to £136.5m in 1986. Pre-tax profits have risen, more or less continuously, from £277,000 to £15,071m in the same period. Analysts are forecasting profits of up to £17m this year.

Throughout the 1980s the group has looked beyond its Norfolk base and the British turkey market. It has developed new products including "A" meat, signed deals in North America and New Zealand and has stuck a big toe into the European meat markets.

Yet there is uncertainty as to what the future holds. Takeover rumours and speculation about the Matthews family's 40 per cent shareholding have become common place. But while the group would make a tasty acquisition for an international conglomerate, its strategy remains to try and make the leap itself into the top division.

Mr Matthews has reinforced the group to try and ensure long-term success. He has reared a strong management team while activities have been diversified. It is a unique brand with a big market share and interesting technology," said Mr David Lang, analyst at Henderson Crosthwaite.

There is a bold emphasis on product development and a heavy programme of investment in advanced machinery, factories and computers. The engineering back-up is strong, while the marketing team has been kept slim.

But the group must adapt constantly if it is to prosper in the long term. "The momentum of the UK turkey product business is slowing," warns Mr Lang. "As the market matures, the prospects for white meat remain good, the next stage of the company's development will depend on expansion into other areas plus opportunities overseas - especially North America."

The Bernard Matthews story is one of entrepreneurship and innovation. The first dozen eggs, bought 37 years ago, triggered a hobby that within three years developed into a business.

Great Wingham Hall, a run-down manor house dating from the 1500s and now the group's headquarters, was bought in 1955. Turkeys used to be hatched in the dining room, reared in the bedroom and slaughtered in the kitchen.

Mr Matthews, chairman, quickly realised the normal size whole bird is often too large for modern families - even at Christmas. Instead he bred smaller turkeys and began selling individual portions.

The first turkey roasts, made without bones and in convenient family-size units, were rolled up and tied with string. The high labour costs involved persuaded Mr Matthews that there had to be a more efficient method.

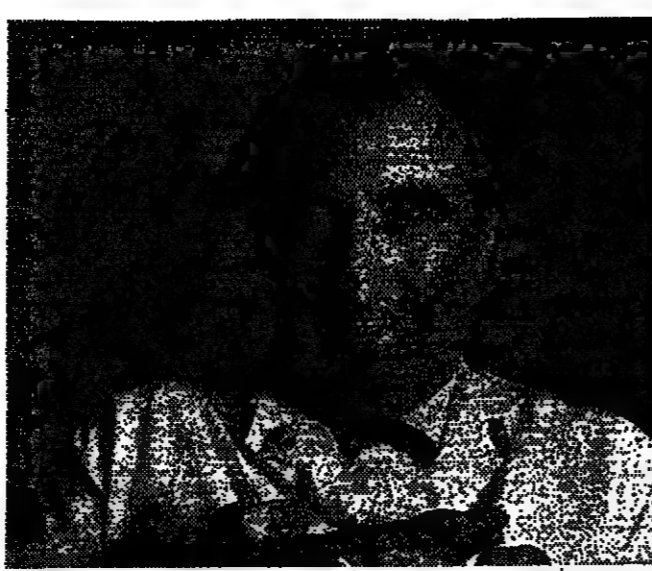
The machinery the group developed used "co-extrusion" to produce a 6ft tube of turkey meat wrapped in turkey and pork fat. It allows one man to produce 3½ tons of roasts in an hour.

The effect on the group was to transform it from a one-product agricultural business into an advanced food processor. The technology has been patented in the US and around the world, not just for processing turkeys but for all meats.

The launch of turkey breast roasts in January 1980 was accompanied by Bernard Matthews' first advertisements on national television. It was not an easy decision for Mr Matthews.

The board of directors met on a Sunday to view a straightforward commercial featuring the chairman describing his product as simply "bootiful". Mr Matthews asked the directors to write their opinions anonymously on a piece of paper - he wanted no one to be influenced by what others were thinking.

Overwhelmingly they said it was a winner. Since then television advertising has been used to considerable effect. The latest commercial



Bernard Matthews, chairman: "Simplicity makes money"

do not introduce the bubbling man with the strong Norfolk accent, butchers apron and carving knife and "bootiful" has been dropped from most scripts. Yet the group, and Mr Matthews, still has a brand recognition level on par with some of the biggest television spenders.

The group's growth strategy today has three prongs. The first priority is to expand the product range in the UK. Secondly, it is trying to spread its market into Europe and, thirdly, it is seeking royalties from international deals for its technology.

Among existing products, sales of whole turkeys have stagnated at about 45m. Growth has come instead from roasts - now made with pork, beef and lamb as well as turkey. Other products, launched in the 1980s, include crisp-crumb and gammon-style turkey steaks, sausages and grillsteaks.

Mr Matthews, whenever he is in Norfolk, makes a point of spending two hours in development kitchens. Ideas in the pipeline include "Beef Tenderloin", "Lamb Tenderloin" and "Pork Tenderloin". A new product using whole birds is promised soon and he does not rule out the possibility of a non-meat product in the future.

Not all launches are immediate successes, however. In 1985

the group bought Maryland Meats, a small Norfolk company producing ready-prepared foods. Renamed Bernard Matthews Kitchens, it launched a range of heat and serve meals which have a shelf life of more than two years.

The company has still to make a profit, says Mr Matthews, but it only accounts for no more than 5 per cent of turnover. "If we get out of it tomorrow, we would not lose a lot of money because we did not put much in," he said.

In Europe, which accounted for 4 per cent of turnover in 1986, Bernard Matthews products are exported to Germany, Italy, Spain and Holland. It has not been an easy area to expand into; a truly common market in meat products does not yet exist, Bernard Matthews has found.

In France, a deal with Doux SA arranged early last year, has provided Bernard Matthews with a supply of small whole chickens for small families. In return, Doux plans to market Bernard Matthews products in a country traditionally hostile to UK meat products.

Exporting to Europe has also posed the problem of selling a very British brand image. The solution tested in Germany, the most established European operation, has been to try portray-

ing Mr Matthews as an eccentric Englishman who knows his food. "Meine Deutsch ist noch nicht gut, aber mein putenschnitzel ist wunderbar," he exclaims in one television commercial.

In other countries the pattern has been to arrange deals to use Bernard Matthews technology in exchange for marketing its products. With national regulations about meat products often tightly drawn, this approach has enabled the group to gain access to otherwise difficult markets.

In 1984, the group signed a deal with the New Zealand Meat Producers Board to supply lamb to Bernard Matthews factories in the UK. In return the board uses Bernard Matthews technology to make lamb roasts for sale in all countries except Europe.

Two years later a deal, with E.J. Heinz Company of Canada gave the group access to the Canadian meat market. Unfortunately in September the group announced the arrangement had been nipped in the bud by a six month ban on British products containing pork after an outbreak of swine fever in Hampshire. Mr Matthews is adamant the effect on profits will be minimal but adds: "It certainly won't help them."

The biggest opportunity for growth is likely to come from a licensing deal with Sara Lee Corporation, the US food giant, announced in August. Sara Lee is to pay royalties to Bernard Matthews to produce and sell its turkey, pork and beef roasts throughout the vast US market.

In spite of all these deals and developments, Mr Bernard Matthews remains a modern, shrewd man. At 57, with his hair beginning to grey, his television appearances betray a relaxed and experienced businessman.

He is convinced the company could continue without him, saying he is now involved only in product development and making the advertisements. "They are not sacrosanct. Somebody else can make TV commercials," he says.

Yet the company has known no other leader. Perhaps its future entails a takeover by an established international operator. Or will it evolve into one itself? There is no simple answer to that.

## Hopkinsons profits fall at midterm

Despite a setback in one area, which led to reduced profits for the half year ended July 31 1987, the Hopkinsons Holdings group continued to progress and is confident of growth in 1988 and beyond.

The group makes boiler mountings and valves. In the first half turnover fell to £27.45m (£27.9m) and pre-tax profit to £2.23m (£4.06m).

Bryan Donkin had to contend with a significantly reduced demand from the privatised UK gas industry which led to a greatly reduced profit contribution. There was some signs of improvement but the second half would also suffer, the directors stated.

Trading profit came to £2.44m (£2.5m) and interest and other income to £785,000 (£790,000). Earnings worked through at 3.79p (£5.1p) and the interim dividend is 1p, payable on December 4, compared with the equivalent of 0.91p.

Other parts of the group were performing well. The US and Canadian companies were operating very satisfactorily.

## J England cuts its losses in first half

J. England Group, produce supplier and convenience food merchant, cut losses from £238,159 to £23,903 in the half year to June 27, 1987. Turnover fell from £2.86m to £1.58m.

Losses were struck after an exceptional debit of £23,450 representing the costs associated with the acquisition programme.

The company said there had been some recovery in its principal subsidiary, J.K. England Foods. There was no tax and losses per share were 0.55p (4.62p).

## FT Share Service

The following securities have been added to the Share Information Service:  
Butte Mining (Section 1: Mines-miscellaneous); Maleo (Industrial); Parkway (Paper); Reed Executive (Industrial); Zellers Leisure (Leisure).

## Travel incentive in Eurotunnel offering

BY STEVEN BUTLER

FULL DETAILS of a travel incentive scheme for small investors in Eurotunnel's £750m share issue are to be announced in the pathfinder prospectus due on Thursday, in advance of the full prospectus to be issued on November 16.

Eurotunnel officials said yesterday that details of the schemes had been drawn up over the past month, and were unrelated to the slump in the stock market.

Investors who put in more than a cut-off amount, believed to be £500, would be eligible for cut-rate London to Paris tickets, and would become members of a club through which other travel benefits might be offered.

In order to qualify for the benefits, investors would have

to retain their investment until the planned opening of the tunnel in 1994.

Publication of the pathfinder prospectus will follow by one day the signing of a £5bn loan facility by 188 international banks. Arranging the facility are National Westminster, Credit Lyonnais, Midland, Banque Nationale de Paris, and Banque Indosuez.

Completion of the loan is conditional on the successful completion of the equity offering. Eurotunnel has expressed confidence that the issue will not be unduly affected by the recent turbulence in markets, since the shares are aimed at long-term investors who would reap their reward after the tunnel opens.

## Marwan in concert over Storehouse demerger bid

BY NIKKI TAIT

DR ASHRAF Marwan, the Egyptian financier, is deemed to be acting in concert with Benlox, the small civil engineering and investment dealing company, over its "demerger" bid for retail giant, Storehouse, despite his surprise decision not to join the Benlox board.

The decision to treat Dr Marwan as "in concert" was announced late on Friday by Benlox's advisers, ifincorp Earl, and follows discussions with the Takeover Panel.

The confusion over the relationship between Dr Marwan and Benlox dates back to an announcement in late August, which said that Dr Marwan had accepted an offer to become executive deputy chairman of the group, was raising his stake, and viewed Benlox "as his principal British-quoted investment".

Although Dr Marwan's formal appointment was never confirmed, his change of heart over any boardroom role did not come to light until the Benlox offer document was published two weeks ago. The financier did not appear on the list of directors and his dealings were not set out.

According to ifincorp Earl, Dr Marwan currently holds 800,000 shares in Storehouse, equivalent to under 0.2 per cent, and following purchases disclosed as an associate under rule 8 of the Takeover Code last week - 9.38m in Benlox, or 22.7 per cent. Storehouse, which this week published its defence document, says simply that it notes the Marwan announcement "with interest."

## Major project deferment leads SI to heavier loss

DEFERMENT of a major project by a dispendous equipment customer was largely responsible for a downturn from £4.68m to £3.9m in turnover and a pre-tax loss of £267,000 compared with a loss of £45,000, incurred by SI Group in the half year to June 30.

The directors said that the

group, which manufactures dispen- and cooling equipment for the brewing and catering industries, had an order book some 35 per cent above last year and the overall position of the engineering company had improved. Endeavours to increase the range of the company's activities were continuing.

## New Throgmorton asset rise

Net asset value of each capital share, with debenture and income shares at par, of New Throgmorton Trust (1987) stood at 248.66p at September 30, 1987, against 182.11p a year earlier and 247p at the March 31, 1987. Fully diluted share value was 281.54p, 225p and 247p respectively.

six months to September 30 amounted to £1.6m (£1.34m), excluding debenture and income shares, and interest totalled £388,000 (£294,000) while tax at 248.66p at September 30, 1987, against 182.11p a year earlier and 247p at the March 31, 1987. Fully diluted share value was 281.54p, 225p and 247p respectively.

Net revenue before tax for the

## BOARD MEETINGS

The following companies have notified dates of board meetings in the Stock Exchange. Such meetings are usually held for the purpose of considering directors' remuneration and are not available as to whether the directors are interested or not and the disclosure shown below are based mainly on last year's information.

Company	Date
British Telecom	Nov 8
Cable & Wireless	Nov 8
Harlow Group	Nov 8
Wentworth Securities	Nov 11
Land Securities	Nov 11
UK Electric	Nov 18
Midland	Nov 18
Power Generation	Nov 18
Steno Investment Trust	Nov 18
Westbury	Nov 18
Yorkshire	Nov 18
Phoenix	Nov 18
ICI Group	Nov 18
Stacy (L)	Nov 18
Capital Radio	Nov 18
Planning for East Inv Tr	Nov 18
Swedish Investment	Nov 18
Property Partnerships	Nov 18
Intertec	Nov 12
Apco Computers	Nov 12
Bechtel	Nov 12
Shell-Solomon Petroleum	Nov 12
Syndicate	Nov 12



## EXTRACTS FROM THE 1987 REPORT AND ACCOUNTS

	1987	1986
Total operating income	£17.6m	£5.2m
Profit on ordinary activities before taxation	£11.1m	£2.8m
Profit after extraordinary item and taxation	£7.1m	£1.4m
Earnings per share (fully diluted)	9.3p	3.4p
Total dividend per share	5.64p	1.83p
Total assets at year end	£1,001m	£350m
Total assets under management	£1,214m	£323m

National Home Loans' second year of operations has been one of substantial progress with the landmark of £1 billion of mortgage investments under management being reached in August 1987.

The Company's LIBOR-linked mortgage, marketed under the brand name "Blue Chip Home Loan" has generated over £280 million of new advances and thereby contributed significantly to profits.

The arrangement where the Company generates and administers mortgages for Barclays Bank plc has operated successfully during the year and has been followed by further arrangements being made with TSB Scotland and with Barclays Bank in Scotland. Similar relationships are also being finalised with two major European banks.

The Company pioneered the first, rated, mortgage securitisation issue in the United Kingdom and this was followed by three further issues. These are major innovations in the method of funding mortgages.

The confidence shown by the international financial community has resulted in the successful arrangement of a number of major funding facilities. The most recent of these is a U.S. \$250 million Euro-Commercial Paper programme with a sterling option arranged by Citicorp Investment Bank Ltd. The continuing high levels of business will result in further funding facilities being arranged during the year ahead.

The Board of Directors proposes a final dividend of 3.28p per share. The total dividend for the year of 5.64p is 60% of distributable earnings on a fully diluted basis.

A copy of the 1987 Report and Accounts will be sent to Shareholders shortly.

The National Home Loans Corporation plc  
ST CATHERINE'S COURT, HERBERT ROAD, SOLIHULL, WEST MIDLANDS B91 3QE  
The meeting of the Company Act 1985. The "full accounts" for the year ended 30th September, 1986 have been delivered to the Registrar of Companies with an Unqualified Audit Report.

## MONTHLY AVERAGES OF STOCK INDICES

	October	September	August	July
Financial Times	86.99	85.75	86.33	89.97
Government Securities	92.25	92.25	92.25	92.25
Fixed Interest	1,071.3	1,071.3	1,071.3	1,071.3
Ordinary	408.0	408.0	408.0	408.0
Gold Mines	52,090	52,090	52,090	52,090
SEAD Securities (Spain)	35,946	35,946	35,946	35,946
S.T. Securities	1,098.28	1,098.28	1,098.28	1,098.28
Industrial Group	1,098.28	1,098.28	1,098.28	1,098.28
200 Shares	1,098.28	1,098.28	1,098.28	1,098.28
Financial Group	1,098.28	1,098.28	1,098.28	1,098.28
All-Share	1,098.28	1,098.28	1,098.28	1,098.28
FT-SE 100	2,196.7	2,196.7	2,196.7	2,196.7
Oct. High	1,073.7500	1,073.7500	1,073.7500	1,073.7500
Oct. Low	1,073.7500	1,073.7500	1,073.7500	1,073.7500
FT-SE 100	2,196.7	2,196.7	2,196.7	2,196.7

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In accordance with the terms of the indenture, notice is hereby given that the Rate of Interest for the period 1st November, 1987 to 1st February, 1988 has been fixed at 8.625 per cent per annum. The Interest Amount, as defined, of US\$20.00 will be payable on 1st February, 1988.  
Bancassurance de Zonen West Limited  
Agent Bank

## FINANCIAL TIMES STOCK INDICES

	Oct. 30	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Oct. 25	1987 High	1987 Low	Since Completion High	Since Completion Low
Government Secs.	89.87	90.14	90.14	88.92	89.68	87.30	93.32	84.49	127.4	49.18
Fixed Interest	93.76	93.68	93.69	93.19	93.42	91.96	99.12	90.23	150.4	50.53
Ordinary	1360.9	1309.4	1288.5	1322.0	1307.1	1369.8	1926.1	1288.5	1926.2	49.4
Gold Mines	312.1	309.9	323.8	330.2	350.5	386.4	497.5	288.2	734.7	43.5
FT-All Share	887.33	856.05	847.91	871.35	863.73	930.332	1238.57	835.48	1238.57	61.92
FT-SE 100	1749.8	1682.0	1658.4	1703.3	1684.1	1795.2	2443.4	1658.4	2443.4	986.9

## Decentralisation

Forced to perform  
on a wider stage

Peter Montagnon explains the strategy of the UK specialist chemicals group, which operates in highly diffuse markets

SUPERFICIALLY, Brent Chemicals International of Iver, Buckinghamshire, is typical of the medium-sized British industrial company that has outgrown its home market and is looking to expand internationally.

In fact, it is in many ways an exception. For the important thing about Brent is that its name is essentially a misnomer. Brent is not really just a chemicals company, but one whose activity reaches deep into the heart of the services sector.

Its business involves selling the application of chemical technology and know-how in a range of sectors from aircraft maintenance to the packaging of consumer goods.

Not, for Brent, the aching questions of whether to expand in Europe or the US, and whether its home market is really Britain or the broader, unified European market promised by Brussels for 1992 - and, in consequence, where it should locate production facilities in a multi-lingual, multi-cultural marketplace stretching from Orkney to Faro.

In practice much of the debate about the internal market that has raged in the European Commission for the past two years has passed it by - a disappointingly negative conclusion, possibly, but an important one for all that.

Brent, with group sales of \$50m last year, is a good example of the new kind of business on which it is fashionable to think that future European prosperity depends.

It is a smallish company, operating in highly profitable niches with a high service content to its business. The development of a real 'home market' within Europe ought in theory to help it build economies of scale, and thereby international competitiveness.

If that is not the case, then perhaps the debate in Brussels is lacking in dimension. Or maybe it is simply the case that the business of specialised service industries is a global one which transcends the kind of regional trading bloc which the EC is now trying to build.

Certainly that is an argument that would appeal to Steven

target  
europe

Brent Chemicals

Cuthbert, Brent's chief executive. "It's amazing to me that a company of our size has to operate in the global marketplace," he says. That means paying attention to Europe, obviously, but it also means building up balance in other parts of the world as well.

Last year around half Brent's turnover was derived from the UK, around a third from Continental Europe and about 16 per cent from North America. For the medium term Brent is aiming to generate 30 per cent of its sales from each of the UK, Europe and North America, leaving 10 per cent to come from the rest of the world.

The implication is that sales in both the US and Europe will have to grow faster than those in the UK.

## Organic growth

Cuthbert believes that growth in the US will tend to be organic. Particularly important here are Brent's involvement in printed circuit board manufacture - last year it bought J&S Laboratories, which markets a range of chemicals for this process - and its aerospace business. This goes under the name Ardrex and is concerned with interior and exterior cleaning of aircraft as well as non-destructive testing for metal fatigue.

In Europe, by contrast, where Brent is now trying to develop its packaging products - mainly dyes, inks, coatings and flexible printing plates - the effort will have to be much more concerted.

It started, in 1986, with Brent buying Joachim Dyes Lackfabrik of Hanover, which markets water-based high-gloss lacquer

coatings for packaging. This was followed by the purchase of the packaging ink division of Blacome SA, with operations in Paris and Grenoble which is now known as Blacome Brent.

The amounts of money spent on these purchases are not particularly large - Joachim Dyes cost only £1.6m and Blacome the equivalent of just £2.3m - but, according to Cuthbert, they represent 'really the beginning' of a carefully considered strategy of acquisition.

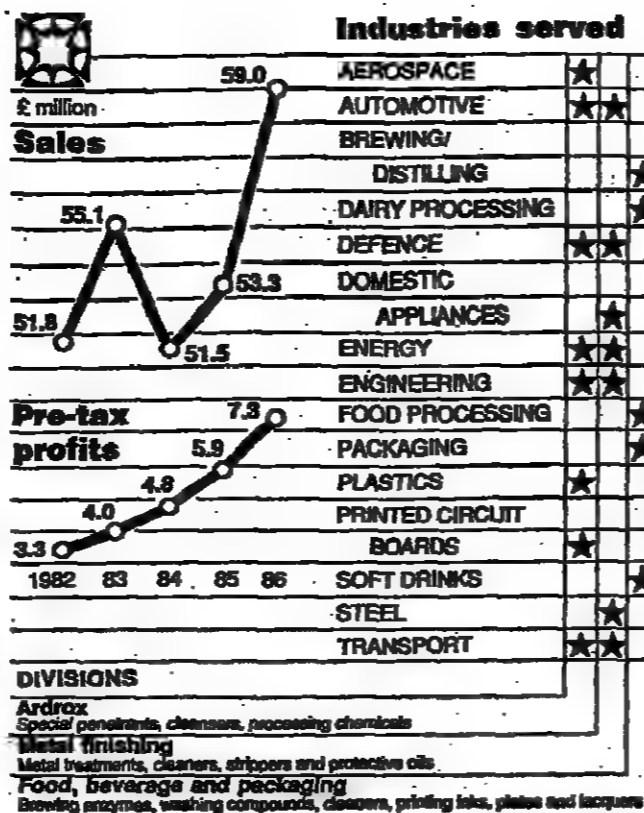
At the heart of Brent's commercial philosophy are two related notions. The first is that the nature of its business requires it to control the technology which it sells. The second, which also applies to another major business area, metal-finishing products for the automotive industry, is that the product it is marketing is essentially the know-how and application of this technology.

It follows from this that the company must follow the technology. Cuthbert believes that 'with respect to Rolls Royce, SNECMA of France and British Aerospace' the US still has the leading edge in aircraft technology as well as printed circuit boards. Brent must therefore have a strong presence in the US. But Europe, and particularly the UK and Germany, has the leading edge in packaging. Hence the need for this side of the business to develop in Europe.

It also follows that a key ingredient in the business is the availability of high-calibre technical sales and service teams on the ground. That means that Brent has a natural inclination to expand through acquisition. By buying new companies it is not only acquiring technology, but also what Cuthbert calls 'a team in place'.

To build that team from scratch as Brent is now having to do in parts of Europe for its printed circuit board business for want of a suitable acquisition, is 'a painful, laborious and risky thing to do'.

Back in the early 1980s, Brent suffered a disastrous entry into the US when it bought a business involved in dry cleaning



chemicals. "We bought a business for what we thought we could make it into rather than for what it was," says Cuthbert. Brent now claims to have learned its lesson from this experience. Its future acquisitions should be a lot more enduring. Besides, a lot of what Brent does is people-related. To sell services in any one country you need local experience and native speakers of that country's language; almost all of Brent's top managers in Europe are local executives. Buying a business means buying a team. "We have to make sure that team is not going to leave," says Cuthbert.

Decentralisation is thus a cornerstone of this approach. It is the subsidiaries in the field which both research and manufacture, not the central organisation.

Manufacturing accounts for only 5 per cent of its total costs and the raw materials it needs are readily available everywhere so plant location does not enter much into its strategic thinking. But there is a considerable amount of cross-fertilisation, controlled from the centre which also keeps a tight rein on the financial side.

All this means that many of the mainstream issues of the internal European market turn out to be tangential at best as far as Brent is concerned.

Theoretically, it should be worried by the need to comply with different labour legisla-

The deep ambiguity about  
what chairmen should do

Terry Dodsworth assesses a report on boardroom power

THERE IS hardly any institution in the Western industrialised world which is at once so powerful and so unaccountable as the board of a joint stock company.

It is here, at the highest level of the corporation, that representatives of shareholders ensure that the company is run in the best interests of investors. Yet the board, as recent events have shown in the UK, can sometimes be woefully ignorant of what is done in its name.

The questions raised by the periodic boardroom scandals relate in the main to potential conflicts of interest. Can directors who are also executives be trusted to defend shareholders? Are outside directors sufficiently independent or are they generally cronies of the chairman?

Do boards become self-perpetuating oligarchies, the chairman effectively choosing the directors and the directors the next chairman, in one endless round of musical chairs? How can the board genuinely monitor a really strong chairman? And are there, indeed, enough checks in the British system on the office of the chairman?

A new study of the chairman's position conducted by the UK arm of Heidrick & Struggles, the executive search consultancy, shows a remarkable lack of consensus on the subject.

Indeed, its first two findings underscore the strangely undefined structure in which chairmen operate in Britain. The role, responsibilities and duties of chairmen, it says, have not been set out clearly, and there are as many ways of being a chairman as there are chairmen themselves.

It is difficult to believe that the list of 11 different points that follow these observations will give much satisfaction to anyone concerned about boardroom efficiency. The selection procedure for chairmen, the report suggests, is not a particularly open one. Companies rarely have an established method for picking their chairmen, and they generally come either from within the present board or are chosen by the current chairman. Nor is there any agreement on the balance of non-executive to executive directors; it is 'very difficult' to involve non-executives in the decision-making process, except at a late stage and fairly superficially.

Most of all, it is hard for the

non-executives to exercise much control over a strong chairman, executive or otherwise - which means, in fact, there is no-one at all to keep such an individual in check under normal circumstances. Part of this problem arises from the deep ambiguity which exists in business about what a chairman should do.

A number of different terms are used to describe chairmen, and they are often seen as non-executive, non-partisan referees who guide the board to collective policy decisions.

But the report makes no bones about the fact that virtually all chairmen, whether executive or otherwise, 'run' their business in practice. It goes on to state that non-executive directors usually combine with the chairman to form a natural group within the board with common interests and adds that it is not easy for them to criticise him.

## Challenge

There appear to be few ways in which directors - executive and non-executive - can challenge a strong chairman, at an early stage, on fundamental issues, it says.

These observations have plenty of facts to back them up. They are based on statements made by chairmen themselves in a poll on how they see their activities. Their remarks show very effectively how contradictory their attitudes can be.

One of them, for example, says: 'I am very much the driving force and the manager.' Yet another argues that 'My job is to be responsible for the board.'

Again, one chairman says that 65 per cent of large companies combine the office of chairman and chief executive, and that 'you must have the two roles together if the leader of the company is to be the source of inspiration and vitality.' One of his peers disagrees totally. 'Chairman and chief executive roles should not be combined. The chairman needs to be detached; a chief executive can be running the business into the ground.'

The justification for a system of directing companies which allows such a wide variety of approaches is that it creates the space for an individual with flair to flourish. It does not squeeze chairmen into an un-

differentiated mould. It allows them to choose an appropriate approach for operating in their particular company.

But it also raises a number of critical issues. As Heidrick & Struggles points out, chairmen exert enormous influence and power and are a significant element in the successes and failures of British industry. Indeed, the report argues that while over-radical change might be dangerous, there is ample scope for improvement, mainly through codification of a chairman's duties.

'Chairmanship in Britain needs to be brought up to the standard of the most successful companies which have a well structured boardroom practice, rather than left as a haphazard business, with no rules and consistency,' it says.

The report advocates action in four areas. First, it says there is a clear need for a more formal definition of the chairman's role and his relations with other directors and executives. Second, it advocates tightened procedures for selecting chairmen, using some of the disciplines that would be applied to other officers, such as, say, a finance director.

Third, it suggests that there is a case for better statutory definition of the duties of boards and of the specific obligations of non-executive directors. It seems to be pointing here in the direction of American practice, where non-executive directors play a leading role on committees which monitor the company's remuneration and audit policies.

Fourth, non-executive directors ought to be appointed in a way which would prevent chairmen from exercising undue influence. Other officers of the company should be involved in their appointment, and there ought to be an automatic process under which they retire after a spell of duty. This, it says, might do much to overcome the 'club' tendency.

Finally, on the issue of propriety, it reports that chairmen in general are against statutory codes, arguing that boards themselves should put their own house in order.

But, it asks, pertinently, 'how is this to be achieved?' Paraphrasing the report, it is not hard to reach the conclusion that, if left to themselves, British boards may do very little to tackle the issue with any sense of urgency.



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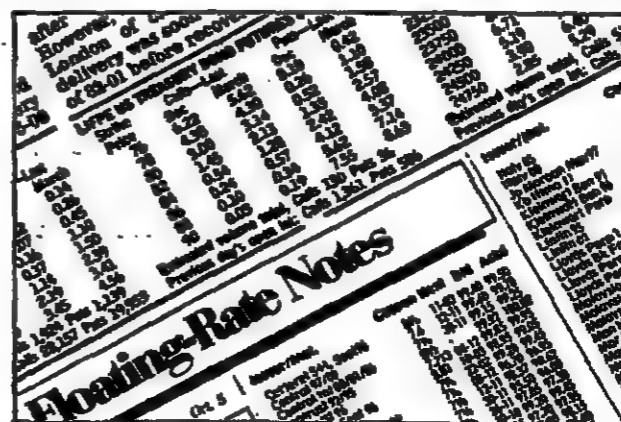
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# FINANCIAL TIMES SURVEY



The next few years are crucial if Tunisia is to restore the economy and put right the damage caused by

wasteful spending. Ministers need to steer through necessary, if painful, policies so that the business community can regain confidence. Francis Ghiles reports

## Fresh hands to the tiller

SINCE IT became independent from France 30 years ago, Tunisia has been among the Arab world's most stable countries and one of the few where the army has not played a major role in asserting stability. It has helped contain Libya's expansion and been a staunch ally of France and the United States. North Africa's smallest country was also regarded until recently by major lending institutions and western governments as a model of Third World economic development. Sadly, recent developments have raised some question marks over the future of what had been generally regarded as an island of tranquillity in the turbulent Arab world.

Last August the increasingly violent confrontation between the authorities and Islamic militants reached a new pitch of intensity when four bombs exploded in hotels in Monastir, the President's birthplace and his summer home and in Sousse, a nearby town from where many of Tunisia's leaders had. The mass trial which followed the crackdown on militants ended with two Tunisians being sentenced to death to hang and the leader of the largest and oldest fundamentalist political move-

ment, the Islamic Tendency, Mr Rashid Al Ghannouchi, being sentenced to hard labour for life. Islamic Tendency leaders disclaim responsibility for this summer's events, which the shadowy radical group, Islamic Jihad, says is all its own doing. Faced with the very flimsy nature of other extremist factions, the task of the police in trying to establish responsibility has been a difficult one.

For Mr Habib Bourguiba, the 87-year-old autocratic Head of State who has held absolute power since independence and as far back as 1934 founded the Neo-Destour Party - which to this day rules alone in Tunisia - to fight French colonial rule, the Islamist thrown down by the Islamic Militants is deeply insulting.

Twenty-seven years ago, during the month of Ramadan the Head of State drank fruit juice in public, thus openly defying one of the commandments of prophet Mohammed which enjoins all true Muslims to fast, from dawn to dusk one month every year. Mr Bourguiba backed his bold gesture with the argument that in order to develop the economy of Tunisia, a modern 'jihad' was necessary. Jihad for him does not simply imply the fight to ex-

President Bourguiba: a question of credibility

tioned against allowing them near the centre of power. Last October, however, he appointed General Zine El Abidine Ben Ali - his name signifies 'the shining beauty of those who adore God' - to the post of Prime Minister.

His increasing signs of an authoritarian approach have been visible since the bread riots of January 1984. But the dismissal last month from his post of Director of the Ruling Socialist Destour Party (PSD), of Mr Mahjoub Ben Ali and the appointment in his place of Dr. Karoui has given comfort to liberals who do not believe that force always provides the best answer.

Rekindling a dialogue with the moderate opposition such as the Social Democrat Party and the

# Tunisia



League of Human Rights, is essential. The new head of the party appears to agree with the prime minister that brutal repression would be very short-sighted.

Mr Zine El Abidine Ben Ali who is credited with the decisiveness and sense of authority which has been tested on the two occasions when he was called upon to restore internal security (after the riots of January 1978 and the bread riots of 1984) and more recently during last summer's crackdown will have to grasp the difficult task of economic reform.

A painful but necessary programme of austerity was launched 15 months ago. It in-

volves job losses, price rises and a general decline in living standards. State companies which for three decades acted as welfare handouts while the private sector grew rich quickly, on a diet of import substitution and without shouldering much of the country's social costs, are having to meet the consequences of the decline in the price of oil.

The Government is now counting the cost and has to pay for the large wage increases granted in the early 1980s which were not matched by productivity gains, the many prestigious and capital intensive projects and the benign neglect which, until recently, prevailed in the management of much of the farming sector.

The four year tenure of Mr. Ismail Khellil, recently appointed Governor of the central bank, at the Ministry of Planning, has ensured much needed stability at a time when two prime ministers, Mr. Mohammed M'Zali and Mr. Rashid Sfar, have been dismissed over a 15-month period. In the meantime the head of state has divorced his second and powerful wife, Madame Wassila Ben Amar, while a major campaign against corruption among state managers and private entrepreneurs has claimed many victims.

Mr Khellil had been convinced of the need for a radical rethink well before the then prime minister, Mr M'Zali who was always prone to demagoguery where economic affairs were concerned. With the help of the Central Bank and the World Bank, the minister of planning set about the task of preparing studies of certain sectors which he felt were ripe for reform. When in June 1986 Tunisia ran out of foreign exchange he was ready and able to negotiate in record time loans from the International Monetary Fund (IMF) and the World Bank.

The austerity plan was strongly supported by Tunisia's western friends. Plentiful rain and a devalued Dinar have enabled Tunisia to meet all the targets agreed a year ago with the IMF.

The next few years however will be crucial, and the new prime minister will need all the support he can muster from the stronger team of ministers in the economic field to push through and implement policies which will inevitably be painful. The tax amnesty recently granted to businessmen should help rebuild confidence. Such confidence however will not be strengthened if members of an ever-changing Government spend their time 'placing themselves for a leadership succession' which they have been anxiously awaiting these past 15 years.

The need for more dialogue, for younger faces in the Cabinet, in other words for an end to the absolute monopoly of power of the old PSD guard has never been more keenly felt. There is growing cynicism amongst ordinary Tunisians about calls for belt tightening from the PSD daily L'Action.

Unemployment is growing and as people watch the daily repeats of President Bourguiba's speeches of yesterday on television, some may be tempted to interrupt the routine as they so rudely did in January 1984.

The public knows that President Bourguiba's favoured projects, such as the extension to

Mahdia of the costly Monastir to Sousse metro, which carries virtually no passengers, will continue regardless. In Tunis they no longer bother to turn up in any numbers when the Head of State lays yet another first stone.

There seems to be less tolerance about the idiosyncrasies of an ageing leader, despite the respect many Tunisians have for what he has contributed to his country in the past. Until the bread riots most Tunisians especially those who held jobs in the cities appeared to believe the idyllic portrait of their country which is still to be found in the tourist brochures.

The half of the country which lives outside the towns tolled away aware that its condition was not the major pre-occupation of the PSD.

The middle class which traditionally constituted the backbone of the ruling party, were rudely awakened in 1984 and this summer's disturbances have further alarmed them. The Radical Islamic Groups do not present today a real threat to the regime. They have little influence, let alone real power in education, the police, and the civil service. They are symbolic of widespread political frustration.

The ruling party lacks any credibility. As living standards decline and unemployment grows the favours which the President continues to bestow upon his home town are no longer simply a matter for polite smiles.

Other regions and towns often have to contribute to such grandiose schemes while they lack basic amenities. The South in particular remains poor, beholden to Tunisia's fluctuating relations with Libya for jobs. Elsewhere the mood is sullen, if not downright angry.

On the external front, relations with Algeria remain good while those with Libya are slowly improving. France and the United States, Tunisia's closest allies, meanwhile watch helplessly as they hope the Head of State does not indulge in yet another erratic mood.

Were the President to relinquish power his constitutional heir, the Prime Minister, would automatically succeed. But the country's political institutions, and the ruling party may find the task of adapting to the inevitable pressure for more democracy and freedom of expression, very difficult.

Insensitive political leadership makes the task of Mr. Zine El Abidine Ben Ali all the more arduous. In the months to come he will need to call on all his skill and conviction.

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**I.C.G.**

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**I.C.M.**

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**Production:** Phosphoric Acid 54% P2O5, Triple Superphosphate TSP 37% P2O5  
Dicalcium Phosphate (DCP)



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**E.G.**

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NPK Fertilisers  
Diammonium Phosphate (DAP)

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## TUNISIA 2

Liberalising the economy faces bureaucratic resistance

## Crucial challenge ahead

FOR NEARLY 30 years after Tunisia shook off the yoke of French colonial rule President Habib Bourguiba presided over what many would regard as a model of third world economic development. This much-vaunted model however came under severe strain in the mid-1980s as the current account deficit and unemployment increased and the value of oil exports declined.

Indeed within the name of Tunisia is not usually associated with that of an oil rich country, the average 100,000 barrels a day it has produced since 1974 played a key role in maintaining the country's steady rate of economic growth, being its major hard currency earner until last year.

The high oil price initially stimulated the economy but also led particularly in 1981-83 to large wage increases not matched by productivity gains. Wage increases boosted imports of consumer goods and food, which in turn led to a growing current account deficit.

Nor were matters improved when prestige and often capital-intensive projects such as car assembly plants won the favour of planners in the 1982-86 Economic Development Plan, in preference to smaller, labour intensive projects particularly in the relatively neglected farming sector.

The low prices offered to farmers only encouraged the drift of unemployed, ill-trained country folk to the slums around the major cities, in particular Tunis which now boasts about one third of the country's 7.2m people.

Two years ago the World Bank delivered a short and pithy report which recommended a major liberalisation of the economy. The then Prime Minister, Mr Mohamed M'Zali, always rather prone to demagoguery when economic affairs were concerned, was not amused.

His Minister of Planning, the self-effacing but astute Mr Ismail Khelil knew better. He had been convinced of the need for a radical rethink for some time and had already set to work with the help of the central bank, and indeed the World Bank, in preparing studies of certain sectors of the economy which he felt were ripe for reform. Convinced the head of state proved delicate but President Bourguiba eventually gave his blessing.

A severe austerity plan was announced in June 1986, after the hard currency reserves at the central bank had declined to zero. A standby loan from the IMF, accompanied by two World Bank loans to help restructure industry and farming, were negotiated in record time and signed last autumn.

To date Tunisia has been able to meet all the targets set out in this agreement. The current account deficit for the first six months of 1987 was slightly

above half the projected figure for the year, the budget deficit is expected to decline to 4 per cent of Gross Domestic Product, as against 5.3 per cent last year.

The growth in money supply is running ahead of target but inflation, expected to reach 8 per cent, does not give rise for concern. Meanwhile the rate of growth of GDP could be as high as 5 per cent, against initial projections of 4.4 per cent.

The gods have been bountiful. A good cereal crop, an excellent tourist season, a sharp increase in remittances from Tunisian ex-patriate workers (the latter two encouraged by a 47.8 per cent devaluation of the Dinar against the French franc between August 1986 and August 1987), higher export revenues

## Re-establishing confidence among potential investors is today proving a slow and painful business

from clothing and fish, thanks to the liberalisation of trade, all these factors have helped cut the trade deficit by nearly one third during the first six months of the year to TD 318.3m compared with the same period in 1986.

Mr Rashid Far, who was Prime Minister from July 1986 to October 1987, was a late convert to the need for reforms and his hectoring speeches did not reassure the business community, already traumatised by the campaign against corruption waged throughout last year. The initial response of entrepreneurs to the appointment of Mr Zine el Abidine ben Ali has been favourable. The tax amnesty announced late last month should further buttress confidence.

In some respects the Tunisian Government has imposed tougher conditions upon itself than the IMF would have done. It has fought very shy of increasing short-term borrowing, it devalued its currency by a greater percentage and it held wages down more tightly, only allowing a 10 per cent increase in the basic wage in 1986, and a further five per cent on November 1.

Success so far has been buttressed by the considerable support Tunisia's friends abroad have lent North Africa's smallest country. Loans and aid have been forthcoming from Italy, France, West Germany and the US. These have avoided a rescheduling of Tunisia's \$5.5bn foreign debt, which this year will cost US\$800m to service.

Austerity however has a price. Conflict between the rising cost of money, the much-vaunted liberalisation of interest rates last January having all but failed, and the very sharp fall in income demand in many sectors, not least the crucial building indus-

try (around 70 per cent for lorries and cars and between 30 and 60 per cent for white goods) many Tunisian entrepreneurs are unable to service their domestic loans. They will now be able to refinance them.

Some sectors have scored well in export markets, notably fish, dates, clothes and cement (up fourfold for the latter). But success there cannot make up for the damage being wrought elsewhere.

The never-opened General Motors car and truck assembly plant at Kairouan is thus brain dead. Renault has closed its assembly plant at Mateur. Volkswagen will not be coming, while the former Mercedes-built factory in Bizerte stands empty. The old-established Societe Tun-

isienne d'Industries Automobiles (STIA) was forced to close its assembly plant in Sousse for four months this year and three months last year, but had to pay the workers 80 per cent of their salaries during those periods.

The policy of assembling cars and trucks with certain parts built in Tunisia behind 100 per cent tariff barriers has thus proved to be the folly any Algerian manager, wrestling with the same kind of policy, might expect a grander scale one decade earlier could have warned his Tunisian counterpart about.

Even assembling much-needed tractors at the Kisekner built in Tunisia behind 100 per cent tariff barriers has thus proved to be the folly any Algerian manager, wrestling with the same kind of policy, might expect a grander scale one decade earlier could have warned his Tunisian counterpart about.

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all output is going to be a painful and long-drawn-out affair. Too often the myriads of companies in the state sector have acted as welfare handouts, recruiting unnecessary staff for reasons of personal or political favour while the private sector grew rich quickly without shouldering much of the social cost.

Liberalisation will also encounter the resistance of a bureaucracy where a large element of employment and personal prestige is built around regulation of the economy. State regulations make officials feel important but do little to encourage exports and open up windows on the world.

A high price is already being paid in terms of employment although the exact situation is difficult to measure as the black economy may account for as much of one quarter of GDP as many unrecorded jobs. Productivity gains are however essential to the longer-term success of the reforms.

That means a further decline in real purchasing power for those who hold regular jobs, people who already enjoy a considerable privilege in a country where a good fifth of the adult population is unemployed or severely underemployed, and where many people exist on one dinar a day.

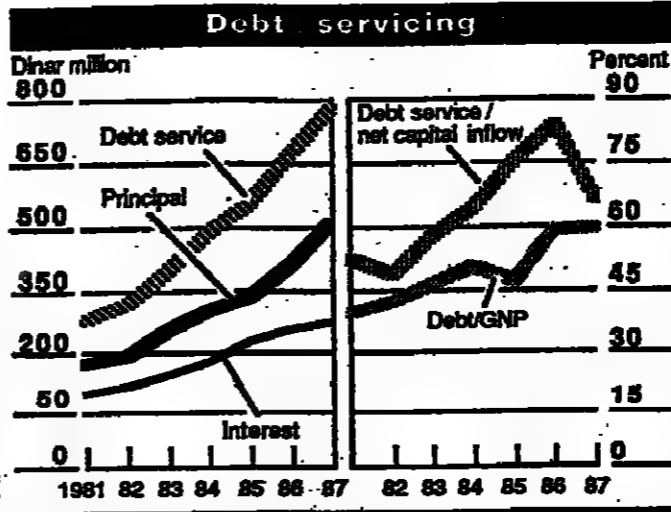
It also means a radical reform of the rules which govern labour relations, in particular the introduction of penalty clauses. It remains extremely difficult today to sack workers, despite the weakened position of the Union Generale des Travailleurs de Tunisie, let alone a civil servant.

Such policies carry a social and political risk which the Government is aware of. Hence a more serene political climate is an essential prerequisite, especially if entrepreneurs are being asked to make a major effort to invest. The state will only be investing TD 10.4bn over the next five years, less in real terms than during the last Plan.

The fight against corruption launched last year by the head of state at the prompting of his then Prime Minister claimed many victims, not all of whom were guilty. It led to the closing of a thriving Tunisian international engineering firm, Sotahet, whose founder, Mr Mohamed Trahi, was wrongly accused of corruption. Re-establishing confidence among potential investors is today proving a painfully slow business.

What has been achieved in the course of the past 16 months is proof enough that bold policies have paid off, not least thanks to the quality of the very senior echelons of the civil service. Tunisia's next five years is of an altogether taller order. How it is met by the new Prime Minister and whom he chooses to include in his economic team will be a major test of Tunisia's economic future.

Francis Githens



	1984	1985	1986	1987*
Gross Domestic Product <sup>(1)</sup>	4,115	4,348	4,276	4,512
Current account	-1,112	-880	-850	-300
Trade balance	3,150	3,190	4,150	4,510
Debt service (% <sup>(2)</sup> )	19.5	21.8	27.9	25.6
Foreign currency reserves	295	201	57	157
Capital inflows	160	116	123	80
Investment	22	30	32	30
Medium-term loans	255	210	165	45
IMR	68	88	135	215

(\*) At 1981 prices.  
(1) Short-term debt estimated at TD500m excluded.  
(2) As a percentage of exports of goods and services, inclusive of short-term debt service.  
Reserves: Projections based on eight-month figures.  
Source: Tunisian Ministry of Planning.

## Foreign Investment and Banking

## Climate is more beneficial

TUNISIA'S SEVENTH five-year plan, published in July 1987, enshrines what has become the hallmark of government investment planning: development of the country's productive base to boost employment, exports, and foreign reserves, assure food supplies for domestic and export requirements, and decrease the level of public involvement in the less productive parastatal industries.

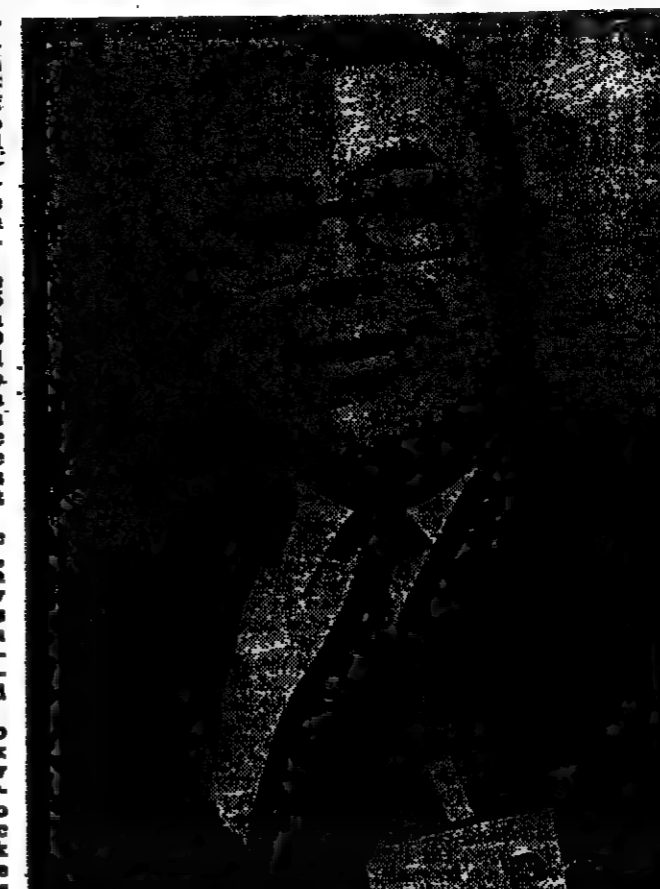
The Government expects the banking sector to provide 28.5 per cent, TD20n, of the 70th plan's investment target of TD 10.4bn. Foreign investment will be an important supplement to this. While cautious, Tunisian bankers tend to feel the growth rates set in the seventh plan are not unrealistic, and point to the seven month figures for this year, showing 73 per cent import coverage.

Rationalisation of bureaucratic and administrative procedures, and the easing of pre-reform Central Bank controls, is now sought. Although interest rates were banned last October in an effort to produce greater inter-bank competitiveness, the Central Bank still sets charges and ratios.

Tunisian bankers would like to see a relaxation of Central Bank restrictions together with new capital market instruments, particularly investment bonds, to increase the level of domestic capitalisation. One local bank had great success with an issue of zero coupon bonds two years ago, and this is felt especially effective for the development banks with their huge capital bases. The management and cost effectiveness of commercial banks is also under scrutiny, with a view to extending their products and services.

Considerable time lags still exist, in some cases up to two years, between investment decisions and initial disbursements, largely through bureaucratic inertia and the approval formalities of the Agence de Promotion des Investissements (API). While API approval is no longer necessary for certain investment projects, without it those projects lose many of the fiscal incentives API backing confers.

A new investment law now under consideration promises to speed disbursement, through the system of incentives, export credits and tax benefits is



Ismail Khelil, new head of the central bank, hopes for relaxation of restrictions

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parastatals facing a tough transition to the private sector. They feel there is adequate domestic funding available to create all-Tunisian partnerships in many parastatals.

However, with an 8 per cent downturn in investment as a by-product of the Government's tight fiscal regime, and weak domestic demand, arousing private sector interest in parastatals may prove difficult. As with the investment banking sector, commercial banks feel that financial decision making needs to be streamlined and freer.

The overseas banking sector had not performed as hoped when legislation was first passed in 1976. Its growth was hampered by the simultaneous development of offshore banking in Bahrain, advantageously sited in terms of time zones and the headland of the Organisation of Arab Petroleum Exporting Countries (OPEC). Lack of promotional effort, and the withdrawal of some banks because operating conditions were unfavourable, also delayed expansion.

Citibank has maintained a successful offshore presence for more than ten years, and is now considering moving onshore to take advantage of new investment incentives. One Islamic bank now trades offshore, Bank Etanoul Saoudi Tunisie (BEST Bank), part of the Al Baraka group. The bank, which has established an Islamic reinsurance arm, has seen substantial growth in the past two years.

Tunisia has continued to receive substantial grant, aid and credit lines from Europe. UN figures for the 1986 reflect the rapid rise in Italian investment, almost \$6m above France's \$22.2m. The US provides \$21m. The EC recently granted 22m ECU for agricultural development and export support, and this past month Tunisia and Roumania signed an economic cooperation accord which will be worth \$50m by 1990.

The Central Bank keeps a close eye on the economic impact of its liberalisation policies. There is concern at rising inflation levels as an offshoot of its devaluation policy (29.5 per cent trade-weighted since 1986). The inflation rate for the first seven months of 1987 was 7.3 per cent compared with the 1986 seven month figure of 5.8 per cent. In July 1987 the consumer price index reached 8.5 per cent compared with 4.1 per cent the previous year.

Real interests rates, at 8.5 per cent are unlikely to diminish unless the inflationary pressure now present in the economy is brought under control. The Central Bank has urged strict lending control by banks.

The Central Bank believes that many problems of policy execution with regard to export credits and investment will improve in time, as changes filter through the system. Some commercial banks still prefer extending 17 per cent overdrafts to exporters than negotiating Central Bank export credit guarantee schemes.

Joan Wucher King

## Phosphates industry

## Rationalisation plans

THE TUNISIAN phosphate industry has come through the economic crisis of 1986-87, its optimism of the early 1980s replaced by an acute awareness that the world phosphate market is extremely tight and is likely to remain so in the foreseeable future. Rationalising its complex structure and improving its marketing abroad are now major concerns.

In 1986, fertilizer and chemical exports contributed \$290m (up from \$270m in 1985) to Tunisia's exports of \$1.76bn. The sector's targeted growth under the seventh five year plan is 9.5 per cent per annum, 1991 in the first seven months of 1987, production and sales are running 10 to 15 per cent above 1986 levels.

Phosphate mining has recovered from its post-performance slump. Technical improvements have increased rock yields by 24 per cent over 1986 and current production levels of 5.8 million tons are expected to be maintained over the next decade. Some 80 per cent of rock is sold to the local phosphate processing industry, with the rest exported.

The Groupe Chimique Tunisienne (GCT), an umbrella organisation covering the country's 12 main phosphate fertilizer manufacturers, employs 6,200 of the industry's 24,000 workers. Group losses in the period 1981-86 were TD194m (\$237m).

Restructuring is now under consideration, amalgamating the Societe Industrielle d'Acide Phosphorique et d'Engrais (SIAPE) with four other companies, Industries Chimiques Maghrebines (ICM), Engrais de Gabes (EG), Industries Chimiques de Gabes (ICG) and Societe Arabe des Engrais Phosphates et Azotes (SAEPA).

Their boards are meeting this month to consider restructuring plans. One obstacle is the level of Kuwaiti cross-participation, which would leave the Kuwaiti partners, directly and through Banque Tuniso-Koweïtienne de Developpement (BTKD) as majority shareholders in the restructuring group.

The five companies' manufacturing base is diverse, though the market downturn has halted expansion plans. The only major project outstanding, the SIAPE II

plant at Sidi Kheir, comes into operation at the end of this year. The SIAPE II plant at Sfax, which has caused environmental problems, will then be closed. SIAPE A at Sfax will continue production of 550,000 tons TSP (triple superphosphate) a year.

The SIAPE II plant, costing \$140m, is being built by the French company SPIE Batignolles. It will be the first North African producer of superphosphate geared for the production of more marketable liquid fertiliser, in addition to sulphuric acid and phosphoric production lines, it will produce 1,000 tons per day of superphosphate in 65-75 per cent concentrations.

The seven plants at Gabes account for about half of Tunisia's phosphate production, using 3 million tons of phosphate rock and 1 million tons of imported sulphur. Some 70 per cent of its phosphate production is exported, via its own harbour and transport arm, Gabes Chemie Trans, where six tankers have a total capacity of 56,000 tons dry weight.

The Abu Dhabi Investment Authority has a 40 per cent stake in SAEPA's Gabes operations. Its ammonium nitrate plant imports 80 per cent of its ammonia feedstocks from the Gulf, but hopes to produce ammonia in future from supplies of gas tapped from the Algerian pipeline. Between 40 and 50 per cent of production is exported, but the local market is expected to absorb most of the plant's output by 1991. SAEPA also produces phosphoric acid and DAP fertiliser.

ICM's 3 plants at Gabes produce 100,000 tons a year of TSP, and 60,000 tons a year of DCP, as well as phosphoric acid and sulphuric acid. A pilot project is underway to explore the extraction of uranium from phosphoric acid.

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phosphates and fertiliser, with its Bades operation handling production and domestic and commercial sales of agricultural pesticides. Turnover is \$2.8m a year. Engrais de Sfax produces 100,000 tons a year of granulated phosphate and fertilisers for export.

The industry's downturn has delayed the planned potassium sulphate plant in Zarzis. The Societe de Developpement des Industries Chimiques de Sud (SDICS) is now considering concession development. A decision is expected in March 1988, when fiscal and technical studies are completed.

The phosphate industry has evolved a number of strategies to help it keep and expand its market share. Projects are now underway in Turkey and China for the construction of phosphate fertilizer plants employing Tunisian expertise and \$280m Kuwaiti financing. The plan will use Tunisian phosphate feedstocks in an export marketing arrangement.

GCT, through its consulting arm, Tunisie Engineering et Construction Industrielle (TECI) is seeking other cooperative efforts of this sort, most recently with Pakistan, aimed at technology exports and market expansion. Industry representatives feel that more aggressive marketing work is necessary, given the competition they will face from Moroccan exports when those come on stream later this year. The Soviet Union now takes 20 per cent of Tunisia's TSP production, and the GCT is exploring countertrade arrangements to offset the cost of its sulphur imports (over 1 million tons a year). Countertrade in phosphates for import coverage in other areas is also being developed.

Tunisia now has 23 per cent of the world market for TSP, 11.5 per cent of phosphate trade, and 7.3 per cent of DAP. To improve this position in line with the seventh plan's expectations will require a far sharper marketing operation. The intended restructuring, if it is to address this export imperative, will need to look as much to the organisation's marketing strategy as to its management structure.

Joan Wucher King

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## TUNISIA 3

## Agriculture and Fish Industry

## Investment level raised for farming

UNLIKE ITS eastern neighbour Algeria, Tunisia did not, in the wake of the quadrupling of oil prices in 1973-4, sacrifice its farming sector on the altar of rapid industrialisation. Oil exports only provided between one third and 40 per cent of the currency earnings. But throughout the following decade, agriculture suffered from benign neglect.

Between 1980 and 1984 this sector's share of gross domestic product declined from 24 per cent to 16 per cent and total employment from 56 per cent to a third. Its share of exports fell by more than two thirds to 15 per cent in 1980.

Like so many of its Third World peers the Government headed by Mr Hedi Nouri, virtually froze the price paid to producers while it increased the subsidies on staple foods to curry favour with the fast-growing cities.

The last Economic Development Plan (1983-1986) paid more attention to farming and provided a greater measure of finance than hitherto. The seventh plan launched this year consolidates those gains. Agriculture's share of overall investment will increase from 15.8 per cent to 19.2 per cent (TD 2bn) (US\$2.43bn).

Despite the consequences of the sharp devaluation of the dinar in the past two years, which has pushed up the price of farming equipment, a more coherent set of policies is taking shape. Yet bold initiatives will be needed in the years ahead if Tunisia's dependence on imports (40 per cent on average where cereals are concerned, 50-60 per cent for milk and 30 per cent for meat) is to be cut and earnings from exports of olive oil, dates and wine developed.

Prices paid to producers have been increased sharply so that today they reflect far more accurately than ever before the real cost of production. Thus between 1981 and today the price of du-

rum wheat has roughly doubled to TD 210 a tonne, now close to world prices.

At the same time subsidies on fertilisers, pesticides and animal feeds are being phased out and should be eliminated by 1989. The cost of machinery however has soared because of the value of the dinar so that even those tractors built in Tunisia, by the German company Deutz, have doubled in price (to TD 7,000 for a 70 hp tractor) because the kits have to be paid for in Deutschmarks. Overall the price of many inputs and machinery appears to be rising faster than world prices.

The small acreage of the average Tunisian farm does however make meaningful comparisons with Western Europe or North America an often difficult exercise.

The cut in subsidies which today still affects wheat, flour and edible oil, has proceeded apace since the riots of January 1984 which came after the Government, then led by Mr Mohamed M'Zali, decided to double the price of bread at a stroke. Subsidies will cost the Tunisian exchequer TD 130m this year, that is, one fifth less than in 1985.

The need to prevent prices rising too fast, at a time when incomes are declining, for fear of the mass of impoverished and often out of work people living in the major cities, is still forcing the authorities to intervene to prevent the rise in prices of certain vegetables when they are out of season.

By and large, however, the prices paid by the consumer are reflecting what it cost to produce them. This year has been exceptionally good for farming, notably for cereal producers and those rearing sheep, thanks to plentiful rain.

Fishing too is benefiting from the Government's decision to liberalise exports. This has put many fishermen back to work,



Tunisia was renowned as the granary of the Roman Empire. Mosaics (above) testify to the wealth of agriculture. Right: fishermen mending nets



pushed up the price of existing fishing boats, led to the ordering of new ones and resulted in a sharp increase of valuable exports to France and Italy, in a sector where EC quotas do not apply.

However, Tunisia's fleet can only boast a catch worth about 40 per cent of the fish which is available, and in the north-western port of Tabarka, only 5 per cent of what is available at sea is landed.

Over the years irrigation has been less neglected than other aspects of farming activity. Hence the many dams built over the years, often by the Yugoslav firm Hidroelektrika.

A vast plan which has enjoyed the support of the USSR is being completed, which is helping to bring water from the north-west region to the Cap Bon near Tunis, long renowned for its orange groves and vegetables.

The region around Jendouba and Béja is also benefiting from large irrigation schemes and what was once a barren area, now known as the 'granary of Tunisia' in finding its role as granary of Tunisia a rewarding one. Long neglected by central government it is now the focus of many integrated development projects, a number of which enjoy the support of the World Bank.

One of the most original consists in distributing plots of about 15 hectares of land, with loans which are interest free and repayable over 20 years, to agricultural settlers. Thus Mr Mohamed Ikbal Souissi is raising rabbits (a hitherto unknown delicacy in Tunisia) which he successfully markets to the hotels on the

coast. He is also producing milk, fattening bullocks and producing strawberry plants, here again a 'first' in the country. Farming machinery is provided free of charge and overall the results look encouraging.

Why more state land, often very poorly managed by the Office des Terres Domaniales (State Domain Land Agency), or state-run co-operatives cannot be distributed to such people underlines how timid politicians have been. Such lands which are among the richest in the country used to belong to former French 'colon' until they were nationalised 25 years ago.

Many small and medium sized private farms are doing well when they happen to be in an area where there is irrigation. But a potentially disastrous situation arises out of this new craze for large farming projects, often financed by the Tunisian Arab consortium banks set up in the early 1980s.

These projects are often too large (such is the case of a farm at El Marjato produce milk being set up with the backing of the Tunisian Arab Bank, Sotusid, with 2,000 head of cattle). Production levels here remain below those of smaller local farms while the rate at which animals seem to catch tuberculosis (a serious problem in Tunisia) or fall ill is rather high. The temptation to think and finance 'big' has often spell disaster in industry. The same could happen in agriculture.

Many other activities aimed at improving output are being undertaken. They include improving tracks in more isolated areas, such as the one above Ghard-

maou near the Algerian border (where a remarkable natural reserve of deer, boar and fox exist at Fedja), introducing new crop varieties, improving feeds and reforesting.

It is remarkable for instance that in the aforementioned Sotusid project Holstein cows were imported from the United States - they may have been cheap since the US is keen to subsidise exports of surplus cattle - but they do not appear to adapt to local conditions very well.

Whereas the production of many vegetables, fruit and poultry has increased in recent years, improving milk output presents a greater challenge. Present policies do not suggest that Tunisia's dependence on imported milk will decline markedly in the years to come.

Improving the production is but one side of the coin. Marketing it abroad is the other. Last July the World Bank devoted a report to what might be done to improve exports. The authors underline ever so politely that the state Offices, which often enjoy a monopoly over exports of particular products, constitute a 'real constraint on export diversification'.

The Office National de l'Huile has a prestigious head office, two floors of which are rented to a bank, owns shares in the Union Internationale de Banques which it even considered buying after US nearly went bankrupt 18 months ago. It is run by bureaucrats and politicians who are not necessarily best suited to the difficult task it faces.

Increasing olive oil exports to the EC whose current pricing policies are likely to continue

generating substantial surpluses to consumption, will prove very difficult. Yet olive trees which occupy one third of all useful land in Tunisia and guarantee the livelihood of hundreds of thousands of families, are considered sacred here and help to preserve the environment.

The 44,000 tonnes exported in 1986 earned TD 54m, 80 per cent of which went to Europe. Various options exist to boost exports which include improving quality (which has declined in recent years) and developing new markets in countries which are resistant to dumping from the EC, not to mention adding higher value to the oil in Tunisia.

The same report points out that the relaxation of the monopoly enjoyed by the Societe Tunisienne des Industries Laitieres (STIL) over the export of dates, Tunisia's other major agricultural export, which earned TD 58.5m last year, led to a rapid development of local treatment and packaging units. Foreign exchange earnings benefited substantially as the proportion of high value dates increased in transactions.

Prospects here remain good as the enlargement of the EC will have no negative effect on exports. But far more needs to be done in terms of marketing. The quality of the 'déglet noir' date is undisputed, but many potential consumers notably in North America have never heard of the fruit.

Exports of high quality 'Mellaise' oranges, of almonds, whose production has increased by 45 per cent since 1982 and apricots could be boosted but only if transactions which are cur-

rently made through commission agents in Italy or France are abandoned in favour of long term contracts with major foreign importers on the basis of prenegotiated target prices and reliable shipping schedules.

Since the mid-1980s wine production has been more than halved to 600,000 hectolitres per annum, 60 per cent of which is exported. Exportable surpluses however are destined to be trebled by the mid-1990s as ageing vineyards are replaced and improvements increase the proportion of better quality wine.

Structural surpluses in the EC since 1980 have been exacerbated by the accession of Spain and Portugal. The import quotas are subject to a reference price which is now double that of the EC wines of the same category. The Office National de la Vigne (ONV) has thus been pressed in to exploring new outlets, but penetration of new markets is handicapped by inadequate wine-making and bottling capacity, which in part explains Tunisia's inability to fulfill or even come close to the EEC quota of

Tunisian bottled wine.

The shift to higher quality wine should be pursued more vigorously, the possibilities offered in North America explored further. Meanwhile the monopoly of ONV may not provide the best incentive to bolder marketing policies.

Improving the quality of what they produce, treatment and packaging of produce in Tunisia and paying far more attention to marketing thus offer opportunities, despite the constraints of the EEC Common Agricultural Policy. The more coherent farming policy which now exists in Tunisia could thus make a major contribution to feeding 7.5m Tunisians, providing employment and earning valuable foreign exchange. The Ministry of Agriculture has been given a larger slice of the investment budget than hitherto. But bolder policies, not least where the disbanding of the state 'Offices' are concerned are required if the promise offered by this sector is to bear fruit.

Francis Chiles

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Joan Wecher Kling

## Manufacturing Industry

## Great export expectations

THE VARIED manufacturing base in Tunisia has been a successful source of both foreign exchange and domestic supply. Hard hit by the economic recession of 1985-86, industry is being redirected to become, by the end of the seventh plan, an export-led sector.

Industrial exports are scheduled to reach TD7bn (38.54bn) in 1991, with volume rising by 8.5 per cent per annum, and 48 per cent will come from goods and services, as opposed to 38.5 per cent in the previous plan. Investment levels are TD 1.7bn, against TD1.54bn in the sixth plan, 84 per cent to small and medium-sized firms. Sectoral employment should increase by 27 per cent, and the parastatal companies sectoral share will fall from 87 per cent to 36 per cent.

These expectations are prodigious for an industry still regrouping itself after a period of investment curtailment, import restrictions on goods and machinery, and weak domestic demand. Growth rates were 4.9 per cent in 1986, 3.5 per cent below budget forecasts. Unemployment rates, estimated at 17 per cent, have been worsening though the rate is obscured by Tunisia's large informal sector.

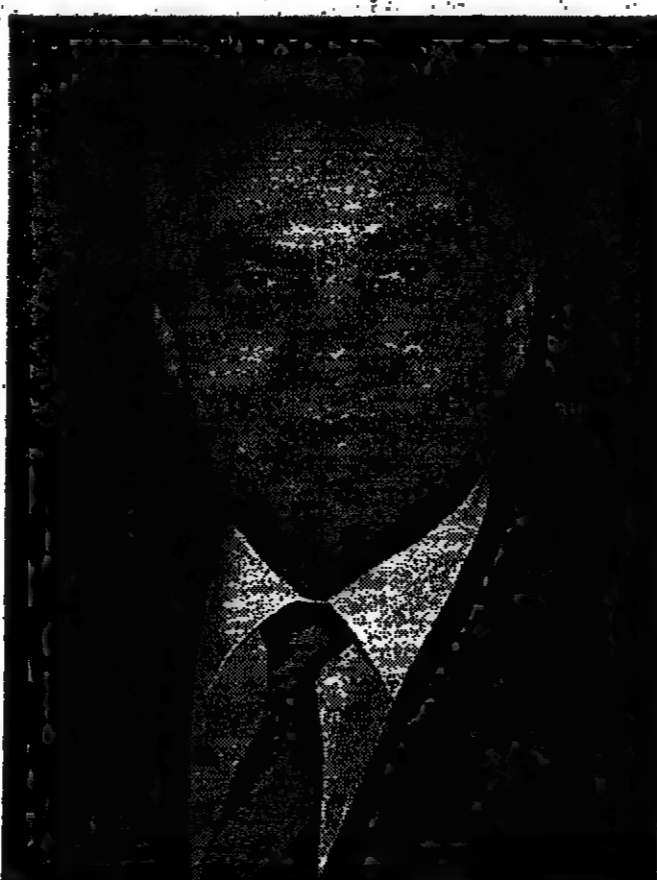
Import restrictions imposed in 1986 have been steadily lifted as industrial needs, and the dinar devaluation has helped boost exports. However money for expansion and development remains tight, and this will complicate government plans to privatise public companies in sectors with adequate competition.

It is generally felt that the domestic market will remain quiet; the Government plans to keep domestic consumption growth to about 3 per cent per annum. While living standards have fallen, unofficially, by about one fifth since 1984, inflationary pressure means credit financing charges are likely to remain high.

The first six months of 1987 have seen a 30 per cent increase in sectoral turnover, with a 10 per cent growth in sales. While the new export drive is aimed at all types of industrial output, it is important that industry develops goods which are competitive in price, type and quality, and an improved distribution nexus.

The textile industry, employing about 60,000 people, registered impressive growth of 25 per cent in 1986, with earnings of TD388.4m, despite weak domestic demand. There is heavy German investment in this sector, primarily for export production for the German market. Some 180 companies, with over 15,000 employees, engaged in light and household goods manufacturing, are increasingly taking advantage of the export incentive schemes now on offer.

Construction material sales fell in the economic downturn, but have recovered somewhat through export sales. Cement production is growing at 7 per



Prime Minister General Zine El Abidine Ben Ali: investment law under consideration

cent per cent. Urban redevelopment of the shanty towns around Tunis, and the renewal of the Tunis Lake project, designed to create a new urban centre in the city, will boost domestic demand. A joint venture Algerian-Tunisian cement factory producing 210,000 tons per annum, with 9 per cent for export, will supply both markets. Heavy industrial projects have been curtailed by the spending cuts of the past two years and by

cent. Its Renault and Iveco assembly lines at Sousse were partially suspended, with salary cuts and layoffs.

Industry suppliers felt the impact. The new Masken tyre factory is operating at 80 per cent capacity, and SICAME's truck body manufacturing operations have been badly affected. SICAME is now seeking to diversify export production. The Government has moved to cut import taxes on kits and components to

## The dinar devaluation has helped to boost exports

the seventh plan's more cautious approach to public investment. The rolling mill at Menzel Bourguiba is being refurbished under a planned \$10m contract, but a new steel mill planned at Ouedine, near Sousse, has been mothballed.

Automobile manufacturing was badly affected by the dinar devaluation, which raised imported kit prices, and by weak domestic demand. General Motors, Volkswagen, Mercedes Benz and Peugeot all suspended or cut back operations. Last year, the state-owned Societe Tunisienne d'Industrie Automobile (STIA) saw bus and light truck production fall by 85 per cent on average, industrial trucks by 65.5 per cent and cars by almost 63 per

cent. The Renault and Iveco assembly lines at Sousse were partially suspended, with salary cuts and layoffs.

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revive the industry, and a 1986 agreement with Algeria aims to rationalise automobile production and distribution. Fiat is now negotiating with STIA to produce low price cars and buses for export and regional sales. Kit import will be partly financed by phosphate counter-trade. Production is expected to start this Spring. Italy's Pirelli and Lombardini are also engaged in joint ventures in the automotive supply sector.

The Union Tunisienne de l'Industrie et de l'Artisanat (UTICA) feels exporters must develop marketing and publicity, in coordination with Tunisian embassies and agencies abroad. Government help is needed in international marketing, particu-

larly trade fairs, which are costly. But an important showcase for Tunisian manufacturers.

Better marketing and product diversification for export requires investment, but the cost of credit at 17 per cent is seen as a real hindrance. Manufacturers criticise banks for taking easy profits at low risk: the development banks are seen as overcautious, and commercial banks as lacking entrepreneurial skill. Industrialists point to the role of banks in developed economies which have more helpful attitudes towards business expansion.

Some manufacturers feel that the Government is reducing industrial investment when it should be boosting its involvement, particularly with specialist financing, for development and exports. Export credit procedures, despite the establishment of Cotunace (Compagnie Tunisienne pour l'Assurance du Commerce Extérieur) are cumbersome, as are commercially constraining bureaucratic controls.

For European investors, Tunisia's main advantages are low labour costs and geographical siting for Maghreb and Europe markets. Textile manufacturers, including Lee Cooper and Godard, have profited on both counts, and there is ample scope for an expansion of export-based enterprises.

British companies have yet to bid successfully for a major project in Tunisia. In recent years, despite the fact that their presence is welcomed at governmental and private levels, linguistic barriers, the British Government's financial packages equivalent to those on offer from other European countries.

The German trade office regularly publicises investment opportunities, and now has over 100 enterprises with 12,000 employees. The Italians pursued a similar, very aggressive and successful marketing effort combining soft loans, grants and export incentives. Both countries are optimistic about expanding their industrial involvement.

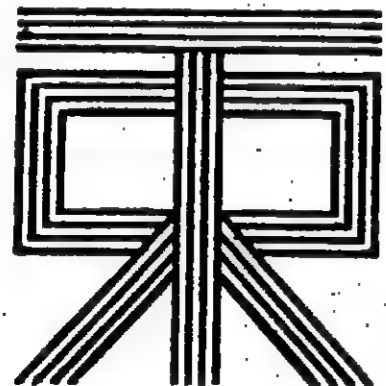
The Government's new investment law, now under consideration, will vastly improve the investment climate for foreign capital, with zero duty on imports for export-production purposes and on the profits accruing from export sales. Plans exist to revamp the various agencies and bodies promoting foreign investment.

More active involvement by development banks is sought to identify as well as fund industrial projects and production technology improvements, especially in the investment zones created in the less developed rural areas. Given the current commitment to export growth, the Government has made clear its expectations that the bureaucracy and banks will follow through its policy line.

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## TUNISIA 4

There is an urgent need to spread the benefits of tourism away from the overdeveloped coast

## Decline of dinar benefits visitors from Europe

LAST AUGUST four bombs exploded in seaside hotels in Monastir and Sousse. Coming on the eve of President Habib Bourguiba's birthday, they were the gravest challenge to the 87-year-old leader ever thrown out by the radical Islamic activists. Coming at the height of the country's most successful ever tourist season, the bombs gave the many Tunisians whose livelihood depends on this activity their worst week ever.

The fallout from the bombs was minimal, however. A few hundred cancellations at most, which has convinced the Director General of the Office National du Tourisme Tunisien, Mr Ahmed Smaoui, that Tunisia is now accepted, alongside Spain, Italy and Greece as a host country where the odd incident, however serious, does not necessarily impair the image so painstakingly built up over a period of 20 years.

This optimism is supported by the fact that the fall in the number of tourists visiting the country last year (25 per cent down, to 1.5m, compared with 1985 figures) was not due, as many observers thought at the time, to a combination of the hijacking of the Italian cruiser Achille Lauro, the Israeli bombing of the Palestinian Liberation Organisation Headquarters near Tunis, nor the US Air Force's bombing raid on the Libyan capital of Tripoli in April, 1986.

Indeed, last year's fall in numbers was solely due to the very sharp decline in the number of Algerian visitors declined by 62.3 per cent to 308,000 because of currency restrictions in Algeria. The number of European visitors rose by a modest 2.6 per cent.

This year, the number of Europeans is expected to increase by more than a third to 1.5m, helped by the sharp decline in the value of the Dinar, which has made Tunisia very competitive vis-a-vis other Mediterranean destinations. There is a greater choice of hotels, which now offer 100,000 beds, and a very active marketing policy. In the spring of last year, after the US raid on Tripoli, 1,500 foreign journalists were invited to visit the country.

The occupancy rate of hotel rooms, which had declined last year to 48 per cent, has already increased to an average of 63.3 per cent this year, with a record 77 per cent for last September. Foreign currency receipts, which last year declined by 7.2 per cent to 1,038m, could be as high as 1,600m this year. Such a figure would confirm this sector as the second most important hard currency earner after textiles and ahead of oil, which for the better part of the last decade or so was the country's major hard currency earner.

The major part of the building effort is now over. Another 19,000 new beds are planned, 13,000 of which are being built. As only 15 per cent of the cost of any new hotel can be imported, hotel building has provided a major boost to the building, furnishing, and crafts industries. For every job which results directly from hotels, 3.5 other jobs have been created in agriculture, transport, services and crafts.

The hotel industry directly employs over 40,000 people today. As farming benefits from considerable encouragement in the next economic development plan, a good tourist season does wonders for fruit and vegetable growers, not to mention the fast-growing fish industry.

The challenge of developing more backward areas, such as the deep south and the attractive northwestern coast, remains. The Tunisian-Saudi bank, Soudi, is helping to finance a major project in the port of Tabarka, which lies close to the Algerian frontier. But Tunis appears until very recently to have all but forgotten the Kroumir Mountains lying to the south of Tabarka which boast attractive cork oak

forests. Few tourists still bother to travel to the many Roman sites which lie inland.

Apart from spreading the benefits of tourism away from an already overdeveloped coastline, the need to improve recreational amenities is recognised. Hence, the country's second golf course, which is nearing completion in Monastir, and the decision to open casinos. It is said, however, that no tourists are interested in such places because, they themselves are often not.

A good quarter of new investment in hotels has since the late 1970s, come from foreign interests, particularly Saudi and Kuwaiti. The Consortium Tuniso

names, has in recent years sunk very low, as has the festival held in the Roman theatre in Carthage. Nor will going up market, if such is the intention, of the authorities, be helped by the growing habit of selling four star hotels for the price of two: services tend to deteriorate fast.

Instead of building yet another monument in Monastir, the authorities could spend more on restoring some of the lovely old houses, medersas (schools), and zaouias (shrines), which are falling to ruin in the old medina of Tunis. They could even mention in the tourist brochures that such places exist, assuming they made them accessible, which is hardly the case today.

Many Tunisians are convinced that no tourists are interested in such places because, they themselves are often not.

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Tourism		
	Dinars (m)	Number of tourists
1986	523.6	239.7
1985	532.6	340.7
1984	1,040.1	357.7
1983	900	358.8

Source: Banque Centrale de Tunisie.

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Left to right: A traditional shop in the old medina of Tunis; the Roman amphitheatre at El Djem; the Zitouna mosque and Korani university in Tunis, which is more than 1,000 years old; the Sidi Bou Makhlouf shrine in Le Kef; and the mosque of Kairouan, one of the holiest in Islam. All these buildings testify to the considerable wealth of ruins and architecture which exists in North Africa's smallest country

## Business Guide

## The country and the climate

TUNISIA LIES on the north-east corner of the Maghrib, less than three hours flight from London. For more than 2,500 years since Queen Dido arrived from Tyre to found Carthage, what today constitutes the Tunisian hinterland has been ruled from the same place, which today is the residential suburb of the capital, Tunis.

The climate is hot in summer, (often up to 40 degrees C in Tunisia, with higher temperatures inland and in the south), temperate in spring and autumn. The North is often windy and wet in winter, the climate more continental as the visitor travels inland towards the Algerian frontier.

The deep south of the country is true desert climate, more pleasant to visit in the winter and spring than in summer. Tunisia's seven and a half million people are more Arabised than other North Africans but French is commonly spoken.

## Getting There

Most major Western air companies fly to Tunisia. British Caledonian has served Tunis for many years. Visas are not required for United Kingdom and most other Western European and American visitors. The Dinar currency cannot be bought outside Tunisia.

## Business Hours

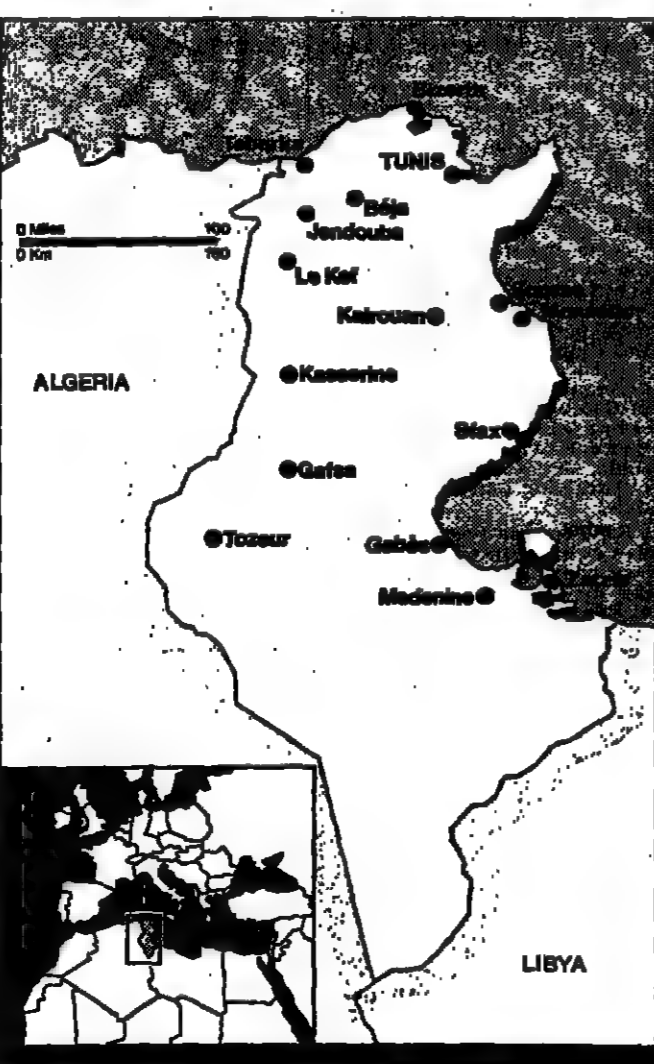
Government offices work a six-day week closing on Friday and Saturday afternoons and Sunday. Banks and private companies work a five-day week but there are moves at present to extend the summer practice of an early start, short lunch breaks and early afternoon closing.

## Car Hire

Cars are easy to rent at major airports and hotels but expensive. Do not expect them to be in perfect condition. Despite recent efforts to improve them, Tunisian roads are often mediocre and driving habits increasingly erratic.

## Hotels

Hotels in general are cheap and easy to find. The state is increasingly selling its hotels to the private sector but most hotels which boast four stars hardly deserve more than three.



Tunisia essentially attracts package holidaymakers and the policy promoted by many four star hotels of selling their rooms on the cheap has led to a decline in service in older establishments such as the Africa and the Hilton in Tunis, the Sindbad in Hammamet, the Siphax in Sfax and the Hannibal Palace in Port el Kharroub. Of the Abu Nawas chain only the one in Hammamet and the Mechtel in Tunis are near the standards expected of four star hotels.

The best hotel in Tunisia is still the privately owned Jerba Menzel, on the island of Jerba. The Sheraton in Hammamet boasts excellent food.

The Sangho Club in Zarzis offers excellent value for a family holiday with a somewhat more restrained atmosphere than the one which exists in the many Club Med hotels.

## Eating out

Tunisia offers plentiful choice. In Tunis, the Strasbourg is best avoided. La Goulue (Tel 251 661) offers good French and Tunisian food as does Le Milanais. Saadi (Tel 220 400) is excellent while 'Astragale' (tel 980445) is decidedly up market. But Les Marguerites (tel 246254) must have pride of place for French food, L'Orient for Tunisian fare, Chez Slah (tel 258585) for fish.

On the northern shore of the Gulf of Tunis, Tchevay (tel 27210) offers a lovely blend of lighter Tunisian, French and Italian food, with excellent seafood pasta in a somewhat student cafe atmosphere.

In Sidi Bou Said, Les Pirates and, in summertime, Le Phenicien are first rate. Further north in La Marsa, Le Golfe and the more expensive Forum (tel 271 800) offer reasonable food and pleasant sea views.

In Hammamet, La Barberousse and Le Theatre offer good fare in summertime, but the latter is not worth visiting outside the June-August period. The Jerba Island hotel offers first class food.

For those visitors to Tunisia who would wish to get a whiff of the traditional north African dish of 'couscous' they could do worse than to visit Laurent Restaurant in Finchley Road (tel 794 3603).

## Arts and crafts

The variety of good traditional crafts in Tunisia today is limited. The Office de l'Artisan, Avenue Habib Bourguiba does offer the best choice available to those who are not specialists and do not wish to bargain for hours. The Office has show rooms in all major coastal resorts.

Tunisian carpets (mergoume or Kairouan weaves) remain very attractive and well made. Pottery from Nabeul is attractive and easy to find. Old silver jewelry is more difficult to locate although a few shops do exist in the old medina of Tunis.

For anyone interested in Muslim architecture the Association de Sauvegarde de la Medina will be happy to show you around some of the old houses and shrines of the city. The Barid Museum for its part boasts the most spectacular and comprehensive collection of Roman mosaics to be found anywhere.

Private art galleries are many but among the best are Cherif Fine Arts in Sidi Bou Said (tel 275 564), Gorgi Gallery at Mutuelle (tel 280 800) and Les Metiers at the Belvedere.

Two age old specialties are also available - Turkish delight at Tourist in the Medina and smoked fish, known as 'Boutargue' in the Avenue de Madrid. Boukha, a liqueur akin to vodka and distilled from figs is also worth a try.

## Economics

For economic information about Tunisia, there is precious little outside specialists' publications like the Central Bank Annual Report or the Conjoncture Review edited monthly by the Ministry of the Economy. The information published in the local press is usually mediocre and often inaccurate.

## Books to read

All the major guide series have a volume devoted to Tunisia.

Francis Chiles

## Oil and Gas

## Reserves still declining

THE IMPROVEMENT in world oil prices over the past year has been an important factor in Tunisia's economic turnaround. In 1985, the fall in oil prices led to a 45.2 per cent decline in sectoral export earnings. Oil export revenues increased 30.8 per cent in the first quarter of 1987, volume by 16.5 per cent. However, proven oil reserves continue to decline, with Tunisia set to become a net oil importer by the mid 1990s. Though new finds have been the subject of some speculation, no substantial reserves have been discovered in 15 years.

Gas reserves are also in sharp decline. Al Barmah's gas production peaked in 1983, and by 1993 will be half current levels of 400,000 cu m. The doubling of national gas production during 1982-85 came from tapping new supplies of Algerian gas.

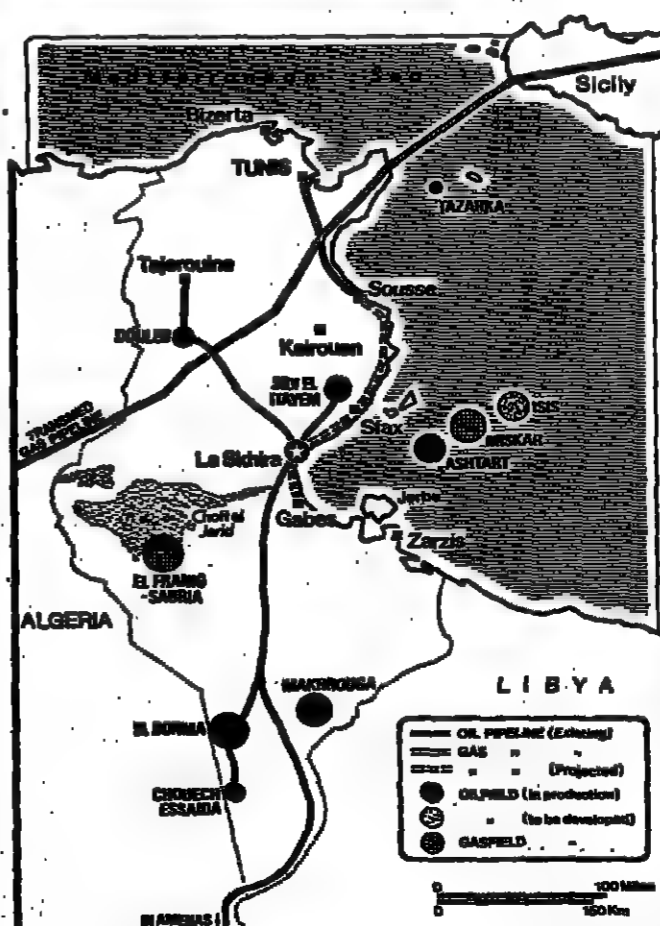
There are no plans to develop the offshore Mishkar gas field, discovered by Elf Aquitaine, though there is reportedly US interest in the field. The gas has a high corrosive content and development would cost \$600m. The proposed Algerian-Libyan gas pipeline, like its predecessor, the Transmed Algerian-Italian pipeline, will transit Tunisia and provide additional supplies. 96 per cent of Tunisian gas now comes from Algeria.

A new petroleum and gas law introduced in March (Law 57/83), altered exploration and exploitation conditions, and defined participation rights of ETAP (Entreprise Tunisienne d'Activites Petrolieres), the state-owned oil company. Tax bands were ameliorated for marginal field exploitation, and import duties eased.

Top tax rates on expatriate earnings dropped to 60 per cent, with exploration personnel on a flat scale of 20 per cent. The law is designed to encourage exploration by smaller oil companies, and exploitation of marginal finds.

Foreign concessionaires feel the incentives are still not on par with the country's production, especially given the lack of a significant discovery since 1971. Exploration costs would be best offset by a 4 or 5 year tax/royalty holiday, particularly for small or marginal field production (2-4 million tons).

Better onshore production terms are also sought, given the costly exploration and development programmes needed in Tunisia. Elf/Aquitaine has recently completed an expensive and complicated enhancement of its Ashtart field, to produce higher yields next year, the only field to register an improvement over 1987 levels. The provisions enabling ETAP to take over field operations after four years have



caused some concern, especially concessionaires' long-term liability.

Expatriate placement in Tunisia for production personnel remains expensive - one company estimates tax rates make the country twice as expensive as London for equivalent personnel. Despite some teething problems with the new law, notably with regard to customs formalities, oil companies find the Ministry of Energy supportive of their needs, with a first-rate team.

In the Ministry's view, the new law reflects the differential risks of exploration/exploitation positions. The tax and duty advantages of the exploration phase reflect the company's commercial risk, as opposed to the commercial certainties of exploitation, when duty and tax levels rise.

The Ministry acknowledges pressure to unify exploration/exploitation incentive schemes, but feels its terms are competitive. Some 25 new com-

concession's operations committee composed of both partners. The HOM/Teneco takeover this spring was agreed by a technical committee. HOM personnel who wanted to remain became ETAP employees. ETAP has been operating the field for six months and HOM is satisfied with the transition. This was ETAP's first takeover operation, a small field with relative straightforward operation.

For the Ministry the advantages of a takeover are in financial and operational control, greater use of Tunisian subcontractors and labour. They point out that ETAP has 25 years of experience and management and technical staff for exploitation operations. ETAP knows local market conditions, and local labour is 10-20 times cheaper than expatriate staff.

Oil companies describe exploration in Tunisia as a long-term process, given the extremely complex geology. The oil strata is widespread but oil reserves in substantial quantities have proved elusive. Marathon had two promising test wells at its Zarzis concession this year, but the third was dry; a fourth well is being sunk next month. Marathon is sinking a satellite well in their Zarzis concession next year. There are possible further finds around ElBorna, and Elf/Aquitaine are exploring in their no. 14 concession.

The Ministry of Energy thinks that recent findings are optimistic and may add, in all and if successful, another 35-60 million tons to Tunisian reserves, extending them six years beyond current 12-year levels. The ministry is confident there is more oil to be found in substantial quantities, and feels discoveries will increase as exploration technology develops.

The director of ETAP, M. Habib Lazreg, is cautiously optimistic about the new finds which particularly those onshore, could be developed even if they prove marginal. With only 400 wells sunk to date, ETAP feels Tunisia is under-explored. For oil companies, ETAP can offer an oil infrastructure leaving no concession more than 100-200 km from a pipeline or harbour. Gas finds can be injected into the Transmed and Tunisian pipelines, both for export and the active, growing domestic market.

ETAP has had good results in new reservoir objectives in the Gulf of Hammamet which should spur exploration there. Marathon's Zarzis finds were in new geological horizons, which ETAP thinks should reawaken interest in previously explored concessions.

Joan Wucher King

### Trade Fairs and Exhibitions:UK

Scottish Motor Show (031-225 6643)  
Exhibition Centre, Glasgow  
November 17-20  
Complete Computer  
Systems Show - COMPEC '87  
(01-891 9051)  
Olympia  
November 22-25  
International Building and Con-  
struction Exhibition (01-495 951)  
NEC, Birmingham  
December 1-5  
International Trade and Ser-  
vices Exhibition and Confer-  
ence - EXPORT (01-727 1929)  
Business Design Centre, Lon-  
don  
December 1-5  
World Travel Market Exhibition  
(01-940 8065)  
Olympia

~~Sara Lee Corporation, Three First National Plaza, Chicago, Illinois 60602~~

**Deidre Venables**  
**Financial Times**  
**Bracken House**  
**10 Cannon Street**  
**London EC4P 4BY**  
**Telephone: 01-248 8000**  
**Ext 4657**

**Financial Times / British  
ture Capital Association:**

## Company Notices

**Bigwood Lettings Limited, Estate Management Office,  
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 A 2 floor; 5 rooms plus Kitchen, 2  
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 & staircases; Independent central  
 heating; generous fitted cupboards;  
 carpets and curtains throughout;  
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Contractors wishing to be considered for attention to  
tender for the installation of individual gas fired  
boilers serving residents and domestic hot water to  
approximately 150 dwellings situated in blocks in the  
above estate should submit forms to the Chief  
Estimate and Planning Administration, Room  
311, Piccadilly, London W1M 7BB, or to  
2PU at 204, Wandsworth High Street, SW2E

26 October 1987

coupon No. 36 will be US\$63.51 per US\$10,000 Note.

Kitchen; 2 Bedrooms; En Suite Bathroom; Shower Room; Lift.

**2 Roof Terraces £475 p.w.**  
**01-524-6162**

and completed in January 1968 for the work to commence on site in May 1968 with an intended completion date of November 1968.

Valuation Agent	Registered Broker	P. E. KRITZ Sec Transfer Secret
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Notes. Notice is hereby given that for the interest period from 30th October, 1987 to 30th November, 1987 the Notes carry an interest

**AGENT BANK**  
**CHEMICAL BANK**



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مركز الاعمال

## LONDON SHARE SERVICE

BRITISH FUNDS										BRITISH FUNDS—Contd										FOREIGN BONDS & RAIS														
Interest Date	Stock	Price	Last	Int.	Yield	Red.	Interest Date	Stock	Price	Last	Int.	Yield	Red.	Interest Date	Stock	Price	Last	Int.	Yield	Red.	Interest Date	Stock	Price	Last	Int.	Yield	Red.	Interest Date	Stock	Price	Last	Int.	Yield	Red.
<b>"Shorts" (Lanes up to Five Years)</b>										<b>Undated</b>										<b>Index-Linked</b>														
26 May 2000	100% 100% 100%	100.00	100.00	0.00	0.00	0.00	1 Feb 100% 100% 100%	100.00	100.00	100.00	0.00	0.00	0.00	1 Jan 100% 100% 100%	100.00	100.00	100.00	0.00	0.00	0.00	1 Jan 100% 100% 100%	100.00	100.00	100.00	0.00	0.00	0.00	1 Jan 100% 100% 100%	100.00	100.00	100.00	0.00	0.00	0.00
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## LONDON SHARE SERVICE

## AMERICANS—Continued

Company	Price	Change	Volume
Amgen Inc.	22.00	+0.25	100
Amgen Inc.	22.00	+0.25	100
Amgen Inc.	22.00	+0.25	100
Amgen Inc.	22.00	+0.25	100
Amgen Inc.	22.00	+0.25	100
Amgen Inc.	22.00	+0.25	100
Amgen Inc.	22.00	+0.25	100
Amgen Inc.	22.00	+0.25	100
Amgen Inc.	22.00	+0.25	100
Amgen Inc.	22.00	+0.25	100

## CANADIANS

Company	Price	Change	Volume
Alcan Inc.	25.00	+0.25	100
Alcan Inc.	25.00	+0.25	100
Alcan Inc.	25.00	+0.25	100
Alcan Inc.	25.00	+0.25	100
Alcan Inc.	25.00	+0.25	100
Alcan Inc.	25.00	+0.25	100
Alcan Inc.	25.00	+0.25	100
Alcan Inc.	25.00	+0.25	100
Alcan Inc.	25.00	+0.25	100
Alcan Inc.	25.00	+0.25	100

## BANKS, HP &amp; LEASING

Company	Price	Change	Volume
Bank of America	25.00	+0.25	100
Bank of America	25.00	+0.25	100
Bank of America	25.00	+0.25	100
Bank of America	25.00	+0.25	100
Bank of America	25.00	+0.25	100
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Bank of America	25.00	+0.25	100
Bank of America	25.00	+0.25	100

## BEERS, WINES &amp; SPIRITS

Company	Price	Change	Volume
Beck's Beer	25.00	+0.25	100
Beck's Beer	25.00	+0.25	100
Beck's Beer	25.00	+0.25	100
Beck's Beer	25.00	+0.25	100
Beck's Beer	25.00	+0.25	100
Beck's Beer	25.00	+0.25	100
Beck's Beer	25.00	+0.25	100
Beck's Beer	25.00	+0.25	100
Beck's Beer	25.00	+0.25	100
Beck's Beer	25.00	+0.25	100

## BUILDING, TIMBER, ROADS

Company	Price	Change	Volume
Building Materials	25.00	+0.25	100
Building Materials	25.00	+0.25	100
Building Materials	25.00	+0.25	100
Building Materials	25.00	+0.25	100
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## BUILDING, TIMBER, ROADS—Cont.

Company	Price	Change	Volume
Building Materials	25.00	+0.25	100
Building Materials	25.00	+0.25	100
Building Materials	25.00	+0.25	100
Building Materials	25.00	+0.25	100
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Building Materials	25.00	+0.25	100
Building Materials	25.00	+0.25	100
Building Materials	25.00	+0.25	100
Building Materials	25.00	+0.25	100
Building Materials	25.00	+0.25	100

## CHEMICALS, PLASTICS

Company	Price	Change	Volume
Chemicals	25.00	+0.25	100
Chemicals	25.00	+0.25	100
Chemicals	25.00	+0.25	100
Chemicals	25.00	+0.25	100
Chemicals	25.00	+0.25	100
Chemicals	25.00	+0.25	100
Chemicals	25.00	+0.25	100
Chemicals	25.00	+0.25	100
Chemicals	25.00	+0.25	100
Chemicals	25.00	+0.25	100

## DRAPERY AND STORES

Company	Price	Change	Volume
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100

## DRAPERY AND STORES—Cont.

Company	Price	Change	Volume
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100
Drapery	25.00	+0.25	100

## ELECTRICALS

Company	Price	Change	Volume
Electricals	25.00	+0.25	100
Electricals	25.00	+0.25	100
Electricals	25.00	+0.25	100
Electricals	25.00	+0.25	100
Electricals	25.00	+0.25	100
Electricals	25.00	+0.25	100
Electricals	25.00	+0.25	100
Electricals	25.00	+0.25	100
Electricals	25.00	+0.25	100
Electricals	25.00	+0.25	100

## ENGINEERING—Continued

Company	Price	Change	Volume
Engineering	25.00	+0.25	100
Engineering	25.00	+0.25	100
Engineering	25.00	+0.25	100
Engineering	25.00	+0.25	100
Engineering	25.00	+0.25	100
Engineering	25.00	+0.25	100
Engineering	25.00	+0.25	100
Engineering	25.00	+0.25	100
Engineering	25.00	+0.25	100
Engineering	25.00	+0.25	100

## INDUSTRIALS—Continued

Company	Price	Change	Volume
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100

## INDUSTRIALS—Continued

Company	Price	Change	Volume
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100
Industrials	25.00	+0.25	100

## FOOD, GROCERIES, ETC

Company	Price	Change	Volume
Food	25.00	+0.25	100
Food	25.00	+0.25	100
Food	25.00	+0.25	100
Food	25.00	+0.25	100
Food	25.00	+0.25	100
Food	25.00	+0.25	100
Food	25.00	+0.25	100
Food	25.00	+0.25	100
Food	25.00	+0.25	100
Food	25.00	+0.25	100

## HOTELS AND CATERERS

Company	Price	Change	Volume
Hotels	25.00	+0.25	100
Hotels	25.00	+0.25	100
Hotels	25.00	+0.25	100
Hotels	25.00	+0.25	100
Hotels	25.00	+0.25	100
Hotels	25.00	+0.25	100
Hotels	25.00	+0.25	100
Hotels	25.00	+0.25	100
Hotels	25.00	+0.25	100
Hotels	25.00	+0.25	100

## INDUSTRIALS (Miscel.)

Company	Price	Change	Volume
Miscellaneous	25.00	+0.25	100
Miscellaneous	25.00	+0.25	100
Miscellaneous	25.00	+0.25	100
Miscellaneous	25.00	+0.25	100
Miscellaneous	25.00	+0.25	100
Miscellaneous	25.00	+0.25	100
Miscellaneous	25.00	+0.25	100
Miscellaneous	25.00	+0.25	100
Miscellaneous	25.00	+0.25	100
Miscellaneous	25.00	+0.25	100

## INSURANCES

Company	Price	Change	Volume
Insurance	25.00	+0.25	100
Insurance	25.00	+0.25	100
Insurance	25.00	+0.25	100
Insurance	25.00	+0.25	100
Insurance	25.00	+0.25	100
Insurance	25.00	+0.25	100
Insurance	25.00	+0.25	100
Insurance	25.00	+0.25	100
Insurance	25.00	+0.25	100
Insurance	25.00	+0.25	100

الرجاء

هكذا عن الأصل

**MINES—Continued**

Stock	Price	Last nd
Alugate Mines	23	
Aluma Mines, MI	70	
Alumina Mines 20c	6	
Aluma Ore Gold 50c	28	
Alumina Mines 25c	35	
Alumina Pacific ASD 20c	95	
Alumina Mines 25c	33	
Alumina 50c	90	781
Alumina Mines H.I.	290	
Alumina Mines 20c	73	
Alumina Mines 20c	24	12.2
Alumina Mines 25c	4	
Alumina Secs. 25c	15	
Alumina Burgess 25c	28	
Alumina Secs. 25c	26	
Alumina H. 50c	70	19.11
Alumina 50c	46	25.2
Alumina 50c	9	30.4

WPan Aust Mining 25c	120	11	
WPancont'l 25c	74	11	

[illegible]

POwra Gold IR 2p	61	
Publishing Hldgs Sp	46	

[illegible]

on full capital. e Redemption yield. f Flat yield. g Yield. h Assumed dividend and yield at

[illegible]

	83	Flt. 13% 97A02
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	AUG	JULY		
ALL	113	-702	AGRICULTURE	
INDUSTRY	89	-69	CPI Index	
TRANSPORTATION	240	-13	Control Indx.	
			Durable Gds.	
			Hall Mkt & H.L.	
			Non-durable Gds.	
			Irish Ropes	
			Norfolk	
			Utilities	

## TRADITIONAL OPTIONS

### 3-month call rates

	P	
NEI	49	
Nat West Bk	75	
P & O Off	62	
Pleasant	50	
Polly Peck	17	
Racal Elect	32	
RHM	32	
Rank Org Dir	52	
Reed Internl	58	
STC	58	
Sears	58	

TSB  
Tosca

32	Thorn EMI
32	Trust Houses
34	T&A
34	Unilever
34	Vickers
32	Welcome
95	Property
22	Brit Land
200	Land Securities
50	MEPC
125	Peacery
95	Oil
17	Brit Petroleum
58	British
125	Burmah Oil
45	Castrol
45	Premier
45	Shell

35	Ultramar
75	Mines

Concor	22	Cons Gold
.....	46	Lowrey
Infell	55	Rio T Zinc

Selection of Options traded is given on  
 London Stock Exchange Market

## Shand

Committed to Construction

Shand Ltd.  
Shand House, Mellock  
Derbyshire DE4 3AF  
Tel: (0629) 734441

### Office blocks order for Fairclough

FAIRCLOUGH BUILDING has won a further Docklands office development, and a computer centre contract, totalling over £15M.

At Harbour Exchange on the Isle of Dogs the company has followed an earlier £9.5m award with a £12m design and build contract for Bill Charter Developments.

The 73-week project entails constructing two buildings, of six and four storeys respectively. Buildings 'W' and 'Y' will offer a total of 96,000 sq. ft. high specification office accommodation adjacent to the Docklands Light Railway, with completion expected in December 1992.

## CONSTRUCTION CONTRACTS

### £30m orders for Sunley

BERNARD SUNLEY & SONS has won contracts worth over £30m. Projects include a £2.4m office extension at Stevenage for the Property Services Agency; building 123 homes at Deptford Wharf, London SE8 under a £6.3m contract funded by Part 8 Developments for the London Borough of Lewisham; Office and laboratory refurbishment and extensions costing £1.5m for the BBC at Chiswick; 51 private homes at Lavender Dock, London SE16; for Haven Homes (Urban developments); a £2.1m housing renovation project at Fairhazel, London NW6; a county library at Daventry for Northampton County Council; an agricultural show pavilion at Easington, North Yorkshire; extensions to British Car Auctions at Blackbushe; and a retail development in Truro for Trustees Savings Bank, together with over £1.3m refurbishment work in London.

The company has started design work on an 82m beach pools complex for the London Borough of Croydon, with construction expected to commence in the New Year.

### Sainsbury store at Portsmouth

JAMES LONGLEY & CO has won £15m worth of contracts, including a £5.5m 57,000 sq ft Sainsbury superstore in Portsmouth, Hants, and a £3.5m aircraft hanger for Dan Air at Gatwick Airport.

At Eton College a two-phase alterations and refurbishment programme for the existing science block, which was built by Longley in 1959, will provide language laboratories and an audio visual cinema. Under a £420,000 contract for the Historic Building and Monument Commission repairs and modifications are to be made to Battle Abbey Great Gatehouse exhibition and museum rooms.

The project for the Queen Alexandra Hospital Home for disabled ex-servicemen in Worthing, Sussex, involves the construction of a £900,000 60-bed dormitory annexe and ancillary facilities. At the Royal Hospital & Home, Putney, London SW15, the £1.6m second phase of a major refurbishment contract will result in modernisation of the original hospital building while it remains in continuous use.

Two Surrey projects include a three-storey retail and officescheme in Sutton, to be designed and built by Longley for Marshall's Charity, and refurbishment of Beecham Pharmaceutical's premises at Hunter's Chase, Walton Heath. Barclays Bank's branch at Crawley, Sussex, is to be partlyrefitted.



WIMPY CONSTRUCTION UK has been appointed by Silver Developments, in conjunction with John Laing Developments and Wirral Borough Council, to construct the second phase of the Grange Head shopping centre development in Birkenhead. The £15.5m scheme has been partly funded by an urban development grant of £2.75m on which the consortium was advised by Grimsley & Sons. The single level development, on piled foundations, will have a steel-framed metal deck with in situ concrete and brick cladding, with some glasswork incorporated. It will be linked to the existing precinct with an escalator and access lift. Included in the scheme are two major stores, 37 shop units, a central food court with an eating area capable of seating 450 people, and a pavilion with a fountain and clock tower. Linked to the precinct will be a carpark with about 700 spaces on five storeys. Work has started for completion in May 1989.

### Hyatt hotel on Aruba

A US\$32m Hyatt resort hotel is to be built on the island of Aruba in the Dutch Caribbean. The developer is Ballast Nedam Groep, of Amsterdam, The Netherlands, in co-operation with the Aruban government.

The financial package, arranged by Ballast Nedam, centres on a commercial loan of US\$37m provided by a syndicate of five Japanese financial institutions through the agency of C. Ho. The remainder is being met through equity participation.

The hotel is to be built at Palm Beach, about 4 km from the capital Oranjestad and 6 km from the international airport.

Comprised of a nine-storey tower, flanked by two wings of four and five storeys, it will have 300 rooms.

Below the guest rooms will be the public areas, including a casino, ballroom, banqueting rooms, shops, health club and restaurants. Outside there will be a landscaped pool area with waterfalls. The opening date is scheduled for spring 1990, with construction starting this January.

BALLAST NEDAM in a joint venture with the Japanese construction group HAZAMA-GUMI are the builders under a fixed price contract worth about US\$40m.

### £15.5m bridge at Newcastle

EDMUND NUTTALL has been awarded a £15.5m contract to build Blaydon Bridge and viaduct - contract 2 of the A66 Newcastle western bypass, for the Department of Transport.

The 330 metres long bridge has five spans of twin prestressed concrete box construction. The 108 metre centre span and the two 63 metre side spans will be built in situ by the balanced cantilever method. The approach viaduct is 530 metres long and has 17 spans of welded steel plate girders acting compositely with a reinforced concrete deck slab.

The river bridge piers are founded in tidal waters, and 3,500 tonnes of steel H piles will be driven to depths up to 45 metres to support the bridge and viaduct foundations.

The crossing is six kilometres west of the centre of Newcastle and 500 metres west of the Scotland Bridge. It will carry the dual two-lane carriageway bypass over the Tyne and over an industrial area, Chalmers Bridge Road and Newcastle railway. The contract period is 126 weeks.

### THE BANK OF NOVA SCOTIA

(A Canadian Chartered Bank)

£100,000,000

Floating Rate Debentures 2000

Issue Price 100.10 per cent.

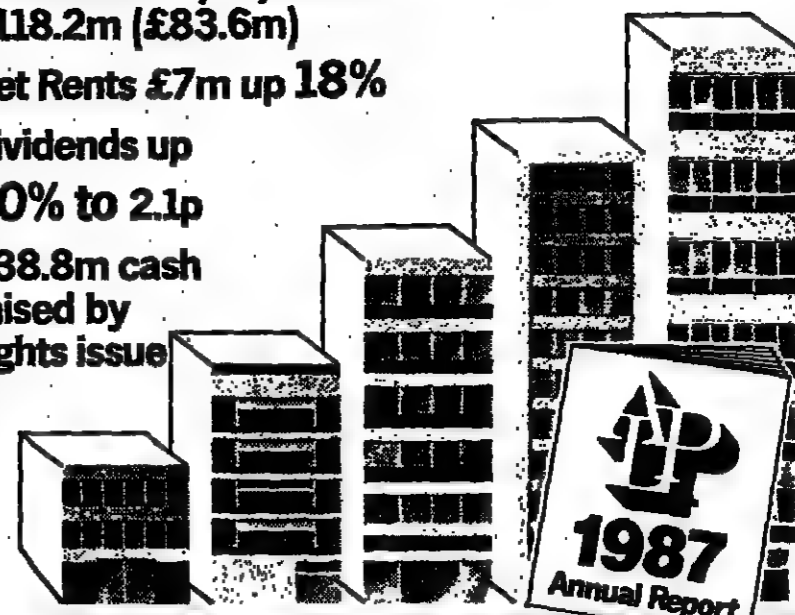
For the three months 30th October, 1987 to 29th January, 1988 the Debentures will bear an interest rate of 9.35% per annum and the coupon amount per £10,000 denomination will be £233.11.

Agent Bank

Samuel Montagu & Co. Limited

## Allied London Properties growing in every way

- \* Net asset value up 26% to 144p
- \* Profits up 30% to £5.27m
- \* Valuations of properties £118.2m (£83.6m)
- \* Net Rents £7m up 18%
- \* Dividends up 20% to 2.1p
- \* £38.8m cash raised by rights issue



### Allied London Properties Plc

Allied House 26 Manchester Square London W1M 6EU.

We are pleased to announce the relocation of our Frankfurt office to the Triton Building



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Singapore · Stamford · Sydney · Tokyo · Washington

## International Bank for Reconstruction and Development

Washington, D.C.

DM 200,000,000

5 7/8 % Deutsche Mark Notes of 1987/1992

Private Placement

Bayerische Landesbank  
Girozentrale

Westdeutsche Landesbank  
Girozentrale

Deutsche Girozentrale  
- Deutsche Kommunalbank -

Caisse des Dépôts  
et Consignations

Girozentrale und Bank  
der österreichischen Sparkassen  
Abteilungsabteilung

Hessische Landesbank  
- Girozentrale -

Norddeutsche Landesbank  
Girozentrale

Sparkassen SDS

ASLK-CGER Bank

BACOR Savings Bank s.c.

Badische Kommune Landesbank  
- Girozentrale -

Bank der Bondspaarbanken N.V.  
Amsterdam

Bank in Liechtenstein (Frankfurt) GmbH

Biluben

Bremer Landesbank

Caisse d'Epargne de l'Etat du Grand-Duché  
de Luxembourg, Banque de l'Etat

Caja de Madrid

CARIPLO  
Cassa di Risparmio  
della Provincia Lombarde

Commonwealth Savings Bank of Australia  
through Commonwealth Bank of Australia

Die Erste Österreichische  
Spar-Casse-Bank  
First Austrian Bank

DSL Bank  
Deutsche Siedlungs- und  
Landesbank

Första Sparbanken

Hamburgische Landesbank  
- Girozentrale -

Landesbank Rheinland-Pfalz  
- Girozentrale -

Landesbank Saar Girozentrale

Landesbank Schleswig-Holstein  
Girozentrale

Landesbank Stuttgart  
Girozentrale

Sparkasse der Stadt Berlin West  
Girozentrale in Berlin

SwedBank

Swiss Cantonalbanks

A/B/C  
Union Bank of Norway

Zentralsparkasse und Kommerzbank,  
Vienna

## GOTA

The Gota Group  
is pleased to announce  
the reorganisation of its business activities in the UK  
As from 1st November 1987

### GÖTABANKEN London Branch

will be providing commercial banking services  
previously offered by Gota (UK) Limited  
and

GOTA SECURITIES LIMITED  
together with Häggglöf and Ponsbach Fondkommission AB  
will be providing securities dealing and corporate  
finance services previously offered by Gota (UK) Limited

### GÖTABANKEN London Branch

Tel: 01-528 8528  
01-236 7418 (Money Mkts/Fx)  
01-528 8002 (Money Mkts/Fx)

Tlx: 920034 GOTBAN G  
920110 GOTAFX G (Money Mkts/Fx)  
Fax: 01-489 1284

### GOTA SECURITIES LIMITED

Tel: 01-248 2266  
01-248 9759 (Equities)  
01-528 8001 (Equities)  
01-481 1080 (Eurobonds)  
01-528 8003 (Eurobonds)  
Tlx: 945803 GOTAU K G  
885714 GOTAEQ G (Equities)  
Fax: 01-236 5297

Gota House, 70/74 Cannon Street, London EC4N 6AE

## WORLD STOCK MARKETS

2987					GERMANY					SWITZERLAND					JAPAN					CANADA									
High	Low	October 30	Price	Change	High	Low	October 30	Price	Change	High	Low	October 30	Price	Change	High	Low	October 30	Price	Change	High	Low	October 30	Price	Change	High	Low	October 30	Price	Change
241.00	240.00	240.00	240.00	0.00	300.00	299.00	299.00	299.00	0.00	300.00	299.00	299.00	299.00	0.00	300.00	299.00	299.00	299.00	0.00	300.00	299.00	299.00	299.00	0.00	300.00	299.00	299.00	299.00	0.00
240.00	239.00	239.00	239.00	0.00	299.00	298.00	298.00	298.00	0.00	298.00	297.00	297.00	297.00	0.00	298.00	297.00	297.00	297.00	0.00	298.00	297.00	297.00	297.00	0.00	298.00	297.00	297.00	297.00	0.00
239.00	238.00	238.00	238.00	0.00	298.00	297.00	297.00	297.00	0.00	297.00	296.00	296.00	296.00	0.00	297.00	296.00	296.00	296.00	0.00	297.00	296.00	296.00	296.00	0.00	297.00	296.00	296.00	296.00	0.00
238.00	237.00	237.00	237.00	0.00	297.00	296.00	296.00	296.00	0.00	296.00	295.00	295.00	295.00	0.00	296.00	295.00	295.00	295.00	0.00	296.00	295.00	295.00	295.00	0.00	296.00	295.00	295.00	295.00	0.00
237.00	236.00	236.00	236.00	0.00	296.00	295.00	295.00	295.00	0.00	295.00	294.00	294.00	294.00	0.00	295.00	294.00	294.00	294.00	0.00	295.00	294.00	294.00	294.00	0.00	295.00	294.00	294.00	294.00	0.00
236.00	235.00	235.00	235.00	0.00	295.00	294.00	294.00	294.00	0.00	294.00	293.00	293.00	293.00	0.00	294.00	293.00	293.00	293.00	0.00	294.00	293.00	293.00	293.00	0.00	294.00	293.00	293.00	293.00	0.00
235.00	234.00	234.00	234.00	0.00	294.00	293.00	293.00	293.00	0.00	293.00	292.00	292.00	292.00	0.00	293.00	292.00	292.00	292.00	0.00	293.00	292.00	292.00	292.00	0.00	293.00	292.00	292.00	292.00	0.00
234.00	233.00	233.00	233.00	0.00	293.00	292.00	292.00	292.00	0.00	292.00	291.00	291.00	291.00	0.00	292.00	291.00	291.00	291.00	0.00	292.00	291.00	291.00	291.00	0.00	292.00	291.00	291.00	291.00	0.00
233.00	232.00	232.00	232.00	0.00	292.00	291.00	291.00	291.00	0.00	291.00	290.00	290.00	290.00	0.00	291.00	290.00	290.00	290.00	0.00	291.00	290.00	290.00	290.00	0.00	291.00	290.00	290.00	290.00	0.00
232.00	231.00	231.00	231.00	0.00	291.00	290.00	290.00	290.00	0.00	290.00	289.00	289.00	289.00	0.00	290.00	289.00	289.00	289.00	0.00	290.00	289.00	289.00	289.00	0.00	290.00	289.00	289.00	289.00	0.00
231.00	230.00	230.00	230.00	0.00	290.00	289.00	289.00	289.00	0.00	289.00	288.00	288.00	288.00	0.00	289.00	288.00	288.00	288.00	0.00	289.00	288.00	288.00	288.00	0.00	289.00	288.00	288.00	288.00	0.00
230.00	229.00	229.00	229.00	0.00	289.00	288.00	288.00	288.00	0.00	288.00	287.00	287.00	287.00	0.00	288.00	287.00	287.00	287.00	0.00	288.00	287.00	287.00	287.00	0.00	288.00	287.00	287.00	287.00	0.00
229.00	228.00	228.00	228.00	0.00	288.00	287.00	287.00	287.00	0.00	287.00	286.00	286.00	286.00	0.00	287.00	286.00	286.00	286.00	0.00	287.00	286.00	286.00	286.00	0.00	287.00	286.00	286.00	286.00	0.00
228.00	227.00	227.00	227.00	0.00	287.00	286.00	286.00	286.00	0.00	286.00	285.00	285.00	285.00	0.00	286.00	285.00	285.00	285.00	0.00	286.00	285.00	285.00	285.00	0.00	286.00	285.00	285.00	285.00	0.00
227.00	226.00	226.00	226.00	0.00	286.00	285.00	285.00	285.00	0.00	285.00	284.00	284.00	284.00	0.00	285.00	284.00	284.00	284.00	0.00	285.00	284.00	284.00	284.00	0.00	285.00	284.00	284.00	284.00	0.00
226.00	225.00	225.00	225.00	0.00	285.00	284.00	284.00	284.00	0.00	284.00	283.00	283.00	283.00	0.00	284.00	283.00	283.00	283.00	0.00	284.00	283.00	283.00	283.00	0.00	284.00	283.00	283.00	283.00	0.00
225.00	224.00	224.00	224.00	0.00	284.00	283.00	283.00	283.00	0.00	283.00	282.00	282.00	282.00	0.00	283.00	282.00	282.00	282.00	0.00	283.00	282.00	282.00	282.00	0.00	283.00	282.00	282.00	282.00	0.00
224.00	223.00	223.00	223.00	0.00	283.00	282.00	282.00	282.00	0.00	282.00	281.00	281.00	281.00	0.00	282.00	281.00	281.00	281.00	0.00	282.00	281.00	281.00	281.00	0.00	282.00	281.00	281.00	281.00	0.00
223.00	222.00	222.00	222.00	0.00	282.00	281.00	281.00	281.00	0.00	281.00	280.00	280.00	280.00	0.00	281.00	280.00	280.00	280.00	0.00	281.00	280.00	280.00	280.00	0.00	281.00	280.00	280.00	280.00	0.00
222.00	221.00	221.00	221.00	0.00	281.00	280.00	280.00	280.00	0.00	280.00	279.00	279.00	279.00	0.00	280.00	279.00	279.00	279.00	0.00	280.00	279.00	279.00	279.00	0.00	280.00	279.00	279.00	279.00	0.00
221.00	220.00	220.00	220.00	0.00	280.00	279.00	279.00	279.00	0.00	279.00	278.00	278.00	278.00	0.00	279.00	278.00	278.00	278.00	0.00	279.00	278.00	278.00	278.00	0.00	279.00	278.00	278.00	278.00	0.00
220.00	219.00	219.00	219.00	0.00	279.00	278.00	278.00	278.00	0.00	278.00	277.00	277.00	277.00	0.00	278.00	277.00	277.00	277.00	0.00	278.00	277.00	277.00	277.00	0.00	278.00	277.00	277.00	277.00	0.00
219.00	218.00	218.00	218.00	0.00	278.00	277.00	277.00	277.00	0.00	277.00	276.00	276.00	276.00	0.00	277.00	276.00	276.00	276.00	0.00	277.00	276.00	276.00	276.00	0.00	277.00	276.00	276.00	276.00	0.00
218.00	217.00	217.00	217.00	0.00	277.00	276.00	276.00	276.00	0.00	276.00	275.00	275.00	275.00	0.00	276.00	275.00	275.00	275.00	0.00	276.00	275.00	275.00	275.00	0.00	276.00	275.00	275.00	275.00	0.00
217.00	216.00	216.00	216.00	0.00	276.00	275.00	275.00	275.00	0.00	275.00	274.00	274.00	274.00	0.00	275.00	274.00	274.00	274.00	0.00	275.00	274.00	274.00	274.00	0.00	275.00	274.00	274.00	274.00	0.00
216.00	215.00	215.00	215.00	0.00	275.00	274.00	274.00	274.00	0.00	274.00	273.00	273.00	273.00	0.00	274.00	273.00	273.00	273.00	0.00	274.00	273.00	273.00	273.00	0.00	274.00	273.00	273.00	273.00	0.00
215.00	214.00	214.00	214.00	0.00	274.00	273.00	273.00	273.00	0.00	273.00	272.00	272.00	272.00	0.00	273.00	272.00	272.00	272.00	0.00	273.00	272.00	272.00	272.00	0.00	273.00	272.00	272.00	272.00	0.00
214.00	213.00	213.00	213.00	0.00	273.00	272.00	272.00	272.00	0.00	272.00	271.00	271.00	271.00	0.00	272.00	271.00	271.00	271.00	0.00	272.00	271.00	271.00	271.00	0.00	272.00	271.00	271.00	271.00	0.00
213.00	212.00	212.00	212.00	0.00	272.00	271.00	271.00	271.00	0.00	271.00	270.00	270.00	270.00	0.00	271.00	270.00	270.00	270.00	0.00	271.00	270.00	270.00	270.00	0.00	271.00	270.00	270.00	270.00	0.00
212.00	211.00	211.00	211.00	0.00	271.00	270.00	270.00	270.00	0.00	270.00	269.00	269.00	269.00	0.00	270.00	269.00	269.00	269.00	0.00	270.00	269.00	269.00	269.00	0.00	270.00	269.00	269.00	269.00	0.00
211.00	210.00	210.00	210.00	0.00	270.00	269.00	269.00	269.00	0.00	269.00	268.00	268.00	268.00	0.00	269.00	268.00	268.00	268.00	0.00	269.00	268.00	268.00	268.00	0.00	269.00	268.00	268.00	268.00	0.00
210.00	209.00	209.00	209.00	0.00	269.00	268.00	268.00	268.00	0.00	268.00	267.00	267.00	267.00	0.00	268.00	267.00	267.00	267.00	0.00	268.00	267.00	267.00	267.00	0.00	268.00	267.00	267.00	267.00	0.00
209.00	208.00	208.00	208.00	0.00	268.00	267.00	267.00	267.00	0.00	267.00	266.00	266.00	266.00	0.00	267.00	266.00	266.00	266.00	0.00	267.00	266.00	266.00	266.00	0.00	267.00	266.00	266.00	266.00	0.00
208.00	207.00	207.00	207.00	0.00	267.00	266.00	266.00	266.00	0.00	266.00	265.00	265.00	265.00	0.00	266.00	265.00	265.00	265.00	0.00	266.00	265.00	265.00	265.00	0.00	266.00	265.00	265.00	265.00	0.00
207.00	206.00	206.00	206.00	0.00	266.00	265.00	265.00	265.00	0.00	265.00	264.00	264.00	264.00	0.00	265.00	264.00	264.00	264.00	0.00	265.00	264.00	264.00	264.00	0.00	265.00	264.00	264.00	264.00	0.00
206.00	205.00	205.00	205.00	0.00	265.00	264.00	264.00	264.00	0.00	264.00	263.00	263.00	263.00	0.00	264.00	263.00	263.00	263.00	0.00	264.00	263.00	263.00	263.00	0.00	264.00	263.00	263.00	263.00	0.00
205.00	204.00	204.00	204.00	0.00	264.00	263.00	263.00	263.00	0.00	263.00	262.00	262.00	262.00	0.00	263.00	262.00	262.00	262.00	0.00	263.00	262.00	262.00	262.00	0.00	263.00	262.00	262.00	262.00	0.00
204.00	203.00	203.00	203.00	0.00	263.00	262.00	262.00	262.00	0.0																				

## Indices

NEW YORK DOW JONES

	October	October	October	October	1987		Since completion		
	30	29	28	27	High	Low	High	Low	
Industrials	1949.53	1968.33	1946.12	1946.49	2722.42	1798.42	2722.42	41.26	
					1798.42	1798.42	07/05	--	
Heavy Industrials	84.80	84.71	84.67	84.66	95.51	81.26			
Transport	757.24	752.59	748.59	749.15	792.19	749.15	1301.16	22.32	
					04/85	05/80	04/85	07/82	
	182.35	182.45	178.38	178.11	221.35	141.90	221.35	74.30	
					02/81	01/80	02/81	04/82	

Dow's High 2049.10 (1971.90) Low 1464.68 (1949.53)

STANDARD AND POORS

	October	October	October	October	1987		Since completion		
	30	29	28	27	High	Low	High	Low	
Composite S	251.79	244.77	238.28	233.19	304.77	224.99	304.77	4.40	
					224.99	224.99	05/80	04/85	
Industrials	60	57.79	56.59	54.50	69.11	55.81	69.11	3.62	
					55.81	55.81	01/80	01/80	
Financials	23.36	23.01	22.91	22.52	25.85	21.77	25.85	4.08	
					21.77	21.77	01/80	01/80	
NYSE Composite	140.80	136.28	130.31	130.51	167.89	127.88	167.89	0.46	
					127.88	127.88	05/80	05/80	
AMER. Mkt. Value	260.36	242.90	234.01	228.52	305.08	234.01	305.08	20.51	
					234.01	234.01	01/80	01/80	
NASDAQ DTC Comp	323.30	307.05	291.90	296.34	402.28	291.90	402.28	54.87	
					291.90	291.90	01/80	01/80	

	Oct. 28	Oct. 16	Oct. 9	year ago (approx.)
Dow Industrial Div. Yield	(%)	3.07	2.78	3.74
	Oct. 28	Oct. 9	Oct. 14	year ago (approx.)
S & P Industrial Div. Yield	3.34	3.25	3.51	
S & P P/E Ratio	16.39	16.25	17.77	17.20

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**Closing prices, October 3**

Continued on Page 45

هذه اعيان الاله

**AMEX COMPOSITE CLOSING PRICES**Closing prices,  
October 30

Stock	Dr	P/E	E 100s	High	Low	Class	Change	Stock	Dr	P/E	E 100s	High	Low	Class	Change	Stock	Dr	P/E	E 100s	High	Low	Class	Change	Stock	Dr	P/E	E 100s	High	Low	Class	Change	
AT&T	1244	84	9%	9	11	+	1	Danmon	2031	5-10	1%	9	9	+	1	Interk	100	100	58	7%	7%	8	+	1	RSW	10	50	83	31	3	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12	45	23	125	125	+	1
Amstar	10	14	14	14	14	+	1	Delpaid	10	54	9%	9	9	+	1	Indiant	911	31	31	31	31	31	+	1	Rgn	12						

**Nasdaq national market. Closing prices, October 30**

Stock										Stock										Stock										
Sales										Sales										Sales										
High	Low	Last	Chg							High	Low	Last	Chg							High	Low	Last	Chg							
AAWd	119	1372	115	8	14	-	1	-	1	ChgoTo	14	320	165	155	+1	1	1	1	1	1	PAKNE	34	13	342	22	16	22	+3	1	1
AAWd	119	1372	115	8	14	-	1	-	1	ChgoTo	14	320	165	155	+1	1	1	1	1	1	PAKNE	34	13	342	22	16	22	+3	1	1
AAWd	119	1372	115	8	14	-	1	-	1	ChgoTo	14	320	165	155	+1	1	1	1	1	1	PAKNE	34	13	342	22	16	22	+3	1	1
AAWd	119	1372	115	8	14	-	1	-	1	ChgoTo	14	320	165	155	+1	1	1	1	1	1	PAKNE	34	13	342	22	16	22	+3	1	1
AAWd	119	1372	115	8	14	-	1	-	1	ChgoTo	14	320	165	155	+1	1	1	1	1	1	PAKNE	34	13	342	22	16	22	+3	1	1
AAWd	119	1372	115	8	14	-	1	-	1	ChgoTo	14	320	165	155	+1	1	1	1	1	1	PAKNE	34	13	342	22	16	22	+3	1	1
AAWd	119	1372	115	8	14	-	1	-	1	ChgoTo	14	320	165	155	+1	1	1	1	1	1	PAKNE	34	13	342	22	16	22	+3	1	1
AAWd	119	1372	115	8	14	-	1	-	1	ChgoTo	14	320	165	155	+1	1	1	1	1	1	PAKNE	34	13	342	22	16	22	+3	1	1
AAWd	119	1372	115	8	14	-	1	-	1	ChgoTo	14	320	165	155	+1	1	1	1	1	1	PAKNE	34	13	342	22	16	22	+3	1	1
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AAWd	119	1372	115	8	14	-	1	-	1	ChgoTo	14	320	165	155	+1	1	1	1	1	1	PAKNE	34	13	342	22	16	22	+3	1	1
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AAWd	119	1372	115	8	14	-	1	-	1	ChgoTo	14	320	165</																	

**Continued on Page 43**

**Travelling on Business to Athens?**

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**FINANCIAL TIMES**  
Europe's Business Newspaper

## CURRENCIES, MONEY &amp; CAPITAL MARKETS

## FOREIGN EXCHANGES

## Fears of a recession depress dollar and interest rates

INDIVIDUAL ECONOMIC news has played little part in deciding the direction of financial markets over the last month.

UK bank lending figures were disappointingly high in September, showing an alarming rise of \$4.4bn, but were virtually ignored.

The UK trade figures for the same month were surprisingly good, recording a current account deficit of only \$56m, but this would hardly account for sterling's rise to a five-year peak against the dollar, and a gain of around 10 cents on the month.

The pressure for a cut in UK bank base rates is also not a reflection of domestic events, but

much more a view of the world economic situation.

Underlying the weakness in equity markets, coupled with the failure of precious metals to gain from this and the depressed state of the dollar, is the fear that the US will lead the rest of the world into recession.

Economists generally regard the US deficit on trade and the budget as unsustainable. President Reagan has resisted an increase in taxation to reduce the budget deficit, ahead of next year's presidential election.

Trade surpluses in West Germany and Japan widened again in September after shrinking in August, and the US trade position

now looks as bleak as ever.

On Friday it was announced that the Japanese current account surplus widened to \$8.8bn in September, from \$6.3bn the previous month, and that the trade surplus rose to \$8.5bn from \$6.2bn.

British merchant bank, Morgan Grenfell, recently forecast a slowdown in US economic growth to the extent that gross national product growth will be zero in the fourth quarter of this year and the first quarter of next.

The resulting recession should then produce a reduction in the trade deficit, as fewer imports are sucked into the US, and also

maintain the downward pressure on interest rates.

Little economic news is expected this week. Attention is likely to centre on the speech at the Mansion House in London by Mr Nigel Lawson, the UK Chancellor, and on the results of the US Treasury refunding auctions on Tuesday, Wednesday, and Thursday.

The key question to be answered will be the level of Japanese demand at the auctions, against a background of uncertainty about the dollar and the twin US deficits on trade and the

budget.

Other economic news involves today's US construction spending for September. This is expected to rise 0.1 p.c. according to Phillips and Drew, but flat on the forecast of Morgan Grenfell, and rise 0.2 p.c. as estimated by Money Market Services.

Factory orders, also released today, should rise 0.8 p.c. to 0.9 p.c. But the most important statistic will be US unemployment for September on Friday. The rate of civilian unemployment is forecast to remain at 5.9 p.c.

Non-farm payrolls will rise 196,000 according to Phillips and Drew, 200,000 on the forecast of Morgan Grenfell, and 285,000 as estimated by Nomura Research Institute.

It is unlikely these figures will have much impact on the dollar. Dealers will listen for any sign of discord among financial leaders about monetary policy and the future of the dollar.

They will also take a view on the US economic scene to see if there is any sign of improvement. If not the dollar will come under further pressure.

## £ IN NEW YORK

	Oct 30	Close	Previous
£ 100	1.7215-1.7225	1.7205-1.7215	
£ 1000	172.15-172.25	172.05-172.15	
£ 10000	1721.5-1722.5	1720.5-1721.5	
£ 100000	17215-17225	17205-17215	

Forward premiums and discounts apply to the US dollar.

## STERLING INDEX

	Oct 30	Close	Previous
£ 100	172.15	172.05	
£ 1000	1721.5	1720.5	
£ 10000	17215	17205	
£ 100000	172150	172050	

## CURRENCY RATES

	Oct 30	Close	Previous
US Dollar	1.7215-1.7225	1.7205-1.7215	
Canadian Dollar	0.7070-0.7080	0.7060-0.7070	
Swiss Franc	1.4835-1.4845	1.4825-1.4835	
Japanese Yen	163.50-163.60	163.40-163.50	
Deutsche Mark	2.4835-2.4845	2.4825-2.4835	
French Franc	6.5535-6.5545	6.5525-6.5535	
Italian Lira	1936.50-1937.50	1935.50-1936.50	
Spanish Peseta	166.65-166.75	166.55-166.65	
Portuguese Escudo	200.48-200.58	200.38-200.48	
Belgian Franc	36.3635-36.3645	36.3625-36.3635	
Dutch Guilder	3.6035-3.6045	3.6025-3.6035	
Australian Dollar	0.7070-0.7080	0.7060-0.7070	
New Zealand Dollar	0.7070-0.7080	0.7060-0.7070	
South African Rand	0.7070-0.7080	0.7060-0.7070	
Israeli Sheqel	0.7070-0.7080	0.7060-0.7070	
Israeli Sheqel	0.7070-0.7080	0.7060-0.7070	
Israeli Sheqel	0.7070-0.7080	0.7060-0.7070	

## CURRENCY MOVEMENTS

	Oct 30	Close	Previous
US Dollar	1.7215-1.7225	1.7205-1.7215	
Canadian Dollar	0.7070-0.7080	0.7060-0.7070	
Swiss Franc	1.4835-1.4845	1.4825-1.4835	
Japanese Yen	163.50-163.60	163.40-163.50	
Deutsche Mark	2.4835-2.4845	2.4825-2.4835	
French Franc	6.5535-6.5545	6.5525-6.5535	
Italian Lira	1936.50-1937.50	1935.50-1936.50	
Spanish Peseta	166.65-166.75	166.55-166.65	
Portuguese Escudo	200.48-200.58	200.38-200.48	
Belgian Franc	36.3635-36.3645	36.3625-36.3635	
Dutch Guilder	3.6035-3.6045	3.6025-3.6035	
Australian Dollar	0.7070-0.7080	0.7060-0.7070	
New Zealand Dollar	0.7070-0.7080	0.7060-0.7070	
South African Rand	0.7070-0.7080	0.7060-0.7070	
Israeli Sheqel	0.7070-0.7080	0.7060-0.7070	
Israeli Sheqel	0.7070-0.7080	0.7060-0.7070	
Israeli Sheqel	0.7070-0.7080	0.7060-0.7070	

## OTHER CURRENCIES

	Oct 30	Close	Previous
Argentine Peso	1.7215-1.7225	1.7205-1.7215	
Australian Dollar	0.7070-0.7080	0.7060-0.7070	
Belgian Franc	36.3635-36.3645	36.3625-36.3635	
Canadian Dollar	0.7070-0.7080	0.7060-0.7070	
Dutch Guilder	3.6035-3.6045	3.6025-3.6035	
French Franc	6.5535-6.5545	6.5525-6.5535	
German Mark	2.4835-2.4845	2.4825-2.4835	
Italian Lira	1936.50-1937.50	1935.50-1936.50	
Japanese Yen	163.50-163.60	163.40-163.50	
New Zealand Dollar	0.7070-0.7080	0.7060-0.7070	
Portuguese Escudo	200.48-200.58	200.38-200.48	
Spanish Peseta	166.65-166.75	166.55-166.65	
Swiss Franc	1.4835-1.4845	1.4825-1.4835	
US Dollar	1.7215-1.7225	1.7205-1.7215	
UK Pound	1.0000-1.0000	1.0000-1.0000	

## FORWARD RATES

	Oct 30	Close	Previous
US Dollar	1.7215-1.7225	1.7205-1.7215	
Canadian Dollar	0.7070-0.7080	0.7060-0.7070	
Swiss Franc	1.4835-1.4845	1.4825-1.4835	
Japanese Yen	163.50-163.60	163.40-163.50	
Deutsche Mark	2.4835-2.4845	2.4825-2.4835	
French Franc	6.5535-6.5545	6.5525-6.5535	
Italian Lira	1936.50-1937.50	1935.50-1936.50	
Spanish Peseta	166.65-166.75	166.55-166.65	
Portuguese Escudo	200.48-200.58	200.38-200.48	
Belgian Franc	36.3635-36.3645	36.3625-36.3635	
Dutch Guilder	3.6035-3.6045	3.6025-3.6035	
Australian Dollar	0.7070-0.7080	0.7060-0.7070	
New Zealand Dollar	0.7070-0.7080	0.7060-0.7070	
South African Rand	0.7070-0.7080	0.7060-0.7070	
Israeli Sheqel	0.7070-0.7080	0.7060-0.7070	
Israeli Sheqel	0.7070-0.7080	0.7060-0.7070	
Israeli Sheqel	0.7070-0.7080	0.7060-0.7070	

## MONEY MARKETS

## Bank resists base rate pressure

INTEREST RATES fell back sharply in London last week, in reaction to the loss of confidence in equity markets and the weakness of the dollar.

Falling interest rates was a general trend in many major financial centres.

The US Federal Reserve intervened to add liquidity to the New York banking system about

an hour and a half earlier than usual on several days, in an attempt to restore some confidence to the markets.

In Frankfurt the West German Bundesbank allowed its money to fall below its normal floor level on Friday, and it is generally expected that the tender rate on securities repurchase agreements will be cut to 3.50 p.c. this week from 3.80 p.c.

At one time it was confidently predicted that UK bank base rates would be reduced to 9 p.c. from 9.5 p.c., but the Bank of England resisted any move.

In spite of large money market shortages on Thursday and Friday the authorities did not operate in the market during the morning sessions, as a signal not to cut base rates.

Discount houses offered bills to

the authorities at unacceptable rates, which would have triggered an immediate reduction, and were told to come back in the afternoon with a better suggestion.

There was a general reluctance of the houses to sell bills to the Bank of England at existing dealing rates, suggesting the market still believes lower base rates are only a matter of time.

UK clearing bank base lending rate 9.5 per cent from October 26

## FT LONDON INTERBANK FIXING

	Oct 30	Close	Previous
£ 100	1.7215-1.7225	1.7205-1.7215	
£ 1000	172.15-172.25	172.05-172.15	
£ 10000	1721.5-1722.5	1720.5-1721.5	
£ 100000	17215-17225	17205-17215	

## BANK OF ENGLAND TREASURY BILL TENDER

	Oct 30	Close	Previous
£ 100	1.7215-1.7225	1.7205-1.7215	
£ 1000	172.15-172.25	172.05-172.15	
£ 10000	1721.5-1722.5	1720.5-1721.5	
£ 100000	17215-17225	17205-17215	

## WEEKLY CHANGE IN WORLD INTEREST RATES

	Oct 30	Change	Oct 30	Change
US Dollar	1.7215-1.7225	1.7205-1.7215		
Canadian Dollar	0.7070-0.7080	0.7060-0.7070		
Swiss Franc	1.4835-1.4845	1.4825-1.4835		
Japanese Yen	163.50-163.60	163.40-163.50		
Deutsche Mark	2.4835-2.4845	2.4825-2.4835		
French Franc	6.5535-6.5545	6.5525-6.5535		
Italian Lira	1936.50-1937.50	1935.50-1936.50		
Spanish Peseta	166.65-166.75	166.55-166.65		
Portuguese Escudo	200.48-200.58	200.38-200.48		
Belgian Franc	36.3635-36.3645	36.3625-36.3635		
Dutch Guilder	3.6035-3.6045	3.6025-3.6035		
Australian Dollar	0.7070-0.7080	0.7060-0.7070		
New Zealand Dollar	0.7070-0.7080	0.7060-0.7070		
South African Rand	0.7070-0.7080	0.7060-0.7070		
Israeli Sheqel	0.7070-0.7080	0.7060-0.7070		
Israeli Sheqel	0.7070-0.7080	0.7060-0.7070		
Israeli Sheqel	0.7070-0.7080	0.7060-0.7070		

## MONEY RATES

	Oct 30	Close	Previous
£ 100	1.7215-1.7225	1.7205-1.7215	
£ 1000	172.15-172.25	172.05-172.15	
£ 10000	1721.5-1722.5	1720.5-1721.5	
£ 100000	17215-17225	17205-17215	

## LONDON MONEY RATES

	Oct 30	Close	Previous
£ 100	1.7215-1.7225	1.7205-1.7215	
£ 1000	172.15-172.25	172.05-172.15	
£ 10000	1721.5-1722.5	1720.5-1721.5	
£ 100000	17215-17225	17205-17215	

## THE PROSPECTS FOR THE ADR BUSINESS

A highly distinguished and expert group of speakers has accepted the invitation of the Financial Times and NASD (The National Association of Securities Dealers) to address "The Prospects for the ADR Business" in London on 11 and 12 November. This forum has much significance for the corporate sector in the United Kingdom and Europe, as well as for bankers and analysts. The speakers believe it well worth attending, even in the light of recent Stock Exchange experience, since the conference is devoted to what will, in practically any conceivable circumstances, be an important feature of company strategy.

The speakers include Mr Joseph Hardiman, NASD, Mr James Dayin, The First Boston Corporation, Mr Charles Symington, S. G. Warburg & Co Inc, Mr Graham Whitehead, Jaguar Cars Inc, Mr Bryan Gould, MP, Shadow Secretary of State for Trade and Industry, Mr Ralph Marneffe, Vice President, ADR Department of The Irving Trust Company, Mr Tim Rosen, Managing Director of Catalyst Communications and Mr Tim Oldfield, Vice President, ADR Department of Citibank NA.

## WORLD ELECTRICITY CONFERENCE

Sir Philip Jones, Chairman of The Electricity Council, and Mrs Helga Steing, Executive Director of the International Energy Agency are to chair one of the most important ever Financial Times energy conferences "World Electricity" in London on 16 and 17 November. France is powerfully represented by M Pierre Delaporte and M William Varoquaux of Electricite de France, Mr Donald Miller, Chairman of the South of Scotland Electricity Board, and Dr I. C. Supp of the Cambridge Energy Research Associates (US) are among the other major contributors. Mr Christopher Johnson, Head of Economics at Lloyd's Bank, and a distinguished analyst of the energy scene, will be speaking on Britain's privatisation plans, as well as Mr Andrew Warren, Director of the Association for the Conservation of Energy.

## CIVIL AVIATION IN THE PACIFIC BASIN

The Pacific Basin, civil aviation's fastest growing air transport arena, is the subject of the Financial Times conference to be held in Singapore on 25 and 26 January 1988. The rapid growth in the region is already imposing strains upon the airlines, airports and the aviation infrastructure overall. It will generate a massive demand for new aircraft and the money with which to buy them for many years to come. The aim of this '88 conference is to define these problems and indicate possible developments and solutions.

Contributors to the debate include Sir Colin Marshall, British Airways, Dr Cheong Cheong Kong, Singapore Airlines, Mr Frederick Bradley Jr, Citibank NA, Mr Michael Jones, Hongkong & Shanghai Banking Corporation, Mr Charles Symington, S. G. Warburg & Co Inc, Mr Graham Whitehead, Jaguar Cars Inc, Mr Bryan Gould, MP, Shadow Secretary of State for Trade and Industry, Mr Ralph Marneffe, Vice President, ADR Department of The Irving Trust Company, Mr Tim Rosen, Managing Director of Catalyst Communications and Mr Tim Oldfield, Vice President, ADR Department of Citibank NA.

All enquiries should be addressed to:

The Financial Times Conference Organisation  
Minster House, Arthur Street, London EC4R 9AX  
Tel: 01-621 1355 (24-hour answering service)  
Telex: 27347 FTCONF G - Fax: 01-623 8814

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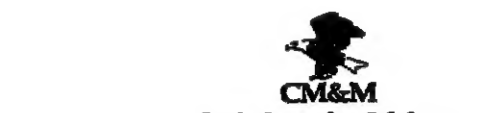
Deirdre Venables  
Financial Times, Bracken House,  
10 Cannon St., London, EC4R 4BY.  
Telephone: 01-248 8000. Ext. 3231.



The Board of Directors of HACHETTE S.A. met on October 28, 1987 to draw up the results of the Company as at June 30, 1987.

The current operating profit before capital gains and losses reaches 119.7 million francs against 111.2 in 1986. After capital gains and losses, it amounts to 155.6 million francs against 140.4 million francs.

The consolidated results, which truly reflect the situation of the Group, will have increased by about 15% in 1987 and should reach around 250 million francs for the Group share as opposed to 216 million francs in 1986 before capital gains and losses, and around 300 million francs after capital gains and losses.



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## ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 30th October 1987, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

£280 million 9 per cent TREASURY LOAN, 1994  
£280 million 10 per cent TREASURY STOCK, 2001  
£280 million 9 per cent TREASURY LOAN, 2007

The price paid by the Bank on issue was in each case the middle market price of the relevant Stock at 3.30 p.m. on 30th October 1987 as certified by the Government Broker.

In addition, Her Majesty's Treasury has created on 30th October 1987, and has issued to the National Debt Commissioners for public funds under their management, additional amounts as indicated of each of the following Stocks:

£150 million 10 per cent TREASURY LOAN, 1993  
£100 million 10 per cent CONVERSION STOCK, 1999

In each case, the amount issued on 30th October 1987 represents a further tranche of the relevant Stock, ranking in all respects *pari passu* with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice, the current provisions for Capital Gains Tax are described below.

Application has been made to the Council of The International Stock Exchange for each further tranche of stock to be admitted to the Official List.

Copies of the prospectuses for 9 per cent Treasury Loan, 1994 dated 17th July 1987, 10 per cent Treasury Stock, 2001 dated 11th October 1985 and 8 per cent Treasury Loan,